NEW ISSUE BOOK-ENTRY ONLY

Ratings:	**Underlying**	**Insured**
Moody's	"A1"	"Aaa"
Standard & Poor's	"AA-"	"AAA"
See "Ratings" herein		

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series 2007A Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest on the Series 2007A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel also observes that interest on the Series 2007B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that interest on the Series 2007 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds. See "TAX MATTERS" herein.

$87,130,000
SACRAMENTO AREA FLOOD CONTROL AGENCY
CONSOLIDATED CAPITAL ASSESSMENT DISTRICT BONDS, SERIES 2007

$82,990,000	**$4,140,000**
Series 2007A	**Taxable Series 2007B**

Dated: Date of Delivery **Due: October 1, as shown on inside cover**

The Sacramento Area Flood Control Agency (the "Agency") is issuing $82,990,000 Consolidated Capital Assessment District Bonds, Series 2007A (the "Series 2007A Bonds") and $4,140,000 Consolidated Capital Assessment District Bonds, Taxable Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Series 2007 Bonds") pursuant to the Sacramento Area Flood Control Agency Act (the "Act"). The Series 2007 Bonds are secured by assessments (the "Consolidated Capital Assessments") levied by the Agency on property in the Agency's Consolidated Capital Assessment District (the "District"), as described herein. When issued, the proceeds of the Series 2007 Bonds will be used to provide funds to (i) advance refund the Agency's North Area Local Project Capital Assessment District No. 2 Bonds, Series 2005 (the "Series 2005 Bonds"); (ii) prepay the Agency's Bond Anticipation Notes, Series A (the "2006 Series A Notes") and Series B (the "2006 Series B Notes" and, together with the 2006 Series A Notes, the "2006 Notes"); (iii) finance, or reimburse the Agency for, the cost of certain flood control facilities consisting of a series of levee and other flood control improvements to be acquired and constructed in and for the District under and pursuant to the Act, as more particularly described in the Final Engineer's Report attached hereto as Appendix A; (iv) pay the cost of a reserve fund insurance policy (the "Reserve Fund Policy"), to be issued by the Insurer (defined below) to satisfy the Required Reserve; and (v) pay the costs of issuance of the Series 2007 Bonds. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF BOND PROCEEDS" herein.

The resolution of the Agency pursuant to which the Series 2007 Bonds are being issued, adopted on May 31, 2007 (the "Resolution"), authorizes the issuance of additional bonds payable from the Consolidated Capital Assessments on a parity with the Series 2007 Bonds, subject to satisfaction of the conditions specified in the Resolution. The Series 2007 Bonds, together with any additional parity bonds issued pursuant to the Resolution are referred to herein as the "Bonds." The Resolution also permits the issuance of additional bonds and other obligations payable from the Consolidated Capital Assessments on a subordinate basis to the Bonds. See "SECURITY FOR THE SERIES 2007 BONDS – Additional Bonds".

The Series 2007 Bonds are being issued, in fully registered form only and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Series 2007 Bonds. Ownership interests in the Series 2007 Bonds may be purchased in book-entry form only in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive physical certificates representing their ownership interest, but will receive a credit balance on the books of the nominees of such purchasers. The Series 2007 Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC, as described herein. Principal of, interest on and redemption premium (if any) with respect to the Series 2007 Bonds will be payable by the Director of Finance of the County of Sacramento, California, as Treasurer of the Agency to DTC, which will in turn remit such principal, interest and redemption premium (if any) to its participants for subsequent disbursement to the beneficial owners of interests in the Series 2007 Bonds herein. See APPENDIX C - "DTC AND THE BOOK-ENTRY ONLY SYSTEM" hereto. Interest on the Series 2007 Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2008.

The Series 2007A Bonds are subject to optional redemption prior to maturity, as described herein. The Series 2007B Bonds are not subject to redemption prior to maturity.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AGENCY OR ANY MEMBER THEREOF OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2007 BONDS. EXCEPT FOR THE CONSOLIDATED CAPITAL ASSESSMENTS, NO TAXES OR ASSESSMENTS ARE PLEDGED TO THE PAYMENT OF THE SERIES 2007 BONDS. THE SERIES 2007 BONDS ARE NOT GENERAL OBLIGATION BONDS OF THE AGENCY NOR ANY MEMBER THEREOF, BUT ARE LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM THE CONSOLIDATED CAPITAL ASSESSMENTS, AS MORE FULLY DESCRIBED HEREIN.

The payment of principal of and interest on the Series 2007 Bonds when due will be insured by a municipal bond insurance policy to be issued simultaneously with the delivery of the Series 2007 Bonds by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company (the "Insurer"). See "BOND INSURANCE" herein.

FGIC

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or the terms of the Series 2007 Bonds. Investors are instructed to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Series 2007 Bonds are offered when, as and if issued and delivered to the Underwriters, subject to the approval as to validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, and for the Agency by Timothy Washburn Esq., Agency Counsel. It is expected that the Series 2007 Bonds in definitive form will be available for delivery in New York, New York through the facilities of DTC on or about June 26, 2007.

Banc of America Securities LLC

Bear, Stearns & Co. Inc. **Morgan Stanley & Co. Incorporated**

Dated June 13, 2007

Maturity Schedule

$82,990,000 Series 2007A Serial Bonds

Maturity (October 1)	Principal Amount	Interest Rate	Yield	CUSIP NO.[1]
2011	$1,545,000	4.000%	3.950%	785840DN6
2012	1,610,000	4.000	4.000	785840DP1
2013	1,675,000	4.000	4.050	785840DQ9
2014	1,745,000	4.000	4.100	785840DR7
2015	1,825,000	5.000	4.150	785840DS5
2016	1,915,000	5.000	4.200	785840DT3
2017	2,015,000	5.000	4.250	785840DU0
2018	2,120,000	5.000	4.340*	785840DV8
2019	2,225,000	5.000	4.410*	785840DW6
2020	2,335,000	4.500	4.460*	785840DX4
2021	2,450,000	5.000	4.500*	785840DY2
2022	2,575,000	5.000	4.530*	785840DZ9
2023	2,705,000	5.000	4.560*	785840EA3
2024	2,845,000	5.000	4.580*	785840EB1
2025	2,990,000	5.000	4.600*	785840EC9
2026	3,145,000	5.000	4.610*	785840ED7
2027	3,305,000	5.000	4.620*	785840EE5

$19,250,000 5.000% Series 2007A Term Bonds Due October 1, 2032 – Yield 4.640*% CUSIP 785840EF2[1]
$24,715,000 5.000% Series 2007A Term Bonds Due October 1, 2037 – Yield 4.690*% CUSIP 785840EG0[1]

$4,140,000 Series 2007B Bonds

Maturity (October 1)	Principal Amount	Interest Rate	Yield	CUSIP No.[1]
2008	$1,265,000	5.510%	5.510%	785840EH8
2009	1,400,000	5.560	5.560	785840EJ4
2010	1,475,000	5.600	5.600	785840EK1

1 CUSIP numbers provided for reference only. The Agency and the Underwriters do not assume any responsibility for the accuracy of such numbers.
* Priced to October 1, 2017 par call date.

SACRAMENTO AREA FLOOD CONTROL AGENCY
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Mayor, City of Sacramento

Ray Tretheway
Sacramento City Council District 1

Steve Cohn
Sacramento City Council District 3

Brian Holloway
American River Flood Control District

Virginia Moose
American River Flood Control District

David Christophel
Reclamation District 1000

Roger Dickinson, District 1
Sacramento County
Board of Supervisors

Jimmie Yee, District 2
Sacramento County
Board of Supervisors

Susan Peters , District 3, - Vice Chair
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Board of Supervisors

Roberta MacGlashan, District 4
Sacramento County
Board of Supervisors

Don Nottoli, District 5
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Board of Supervisors

Dan Silva
Sutter County
Board of Supervisors

John Shiels
Reclamation District 1000

MANAGEMENT

Stein Buer, Executive Director
Timothy Washburn, Esq., Agency Counsel
Pete Ghelfi, Director of Engineering
Julie Lienert, Director of Administration

TREASURER
Sacramento County Director of Finance and
Agency Treasurer

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP

FINANCIAL ADVISOR
First Southwest Company

VERIFICATION AGENT
Causey Demgen & Moore Inc.

No dealer, broker, salesperson or other person has been authorized by the Agency or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2007 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2007 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the Agency or the Insurer since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in the following information constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Agency’s forecasts in any way. Although the Agency will provide certain information annually as specifically set forth in the Continuing Disclosure Certificate, the Agency does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

The Series 2007 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act.

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OFFICIAL STATEMENT

$87,130,000

SACRAMENTO AREA FLOOD CONTROL AGENCY
CONSOLIDATED CAPITAL ASSESSMENT DISTRICT BONDS, SERIES 2007

$82,990,000	**$4,140,000**
Series 2007A	**Taxable Series 2007B**

INTRODUCTION

This Official Statement (which includes the cover page, the table of contents and the Appendices attached hereto) is furnished by the Sacramento Area Flood Control Agency (the "Agency") to provide information concerning the $82,990,000 aggregate principal amount of Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds, Series 2007A (the "Series 2007A Bonds") and $4,140,000 aggregate principal amount of Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds, Taxable Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Series 2007 Bonds") to be issued by the Agency pursuant to the Sacramento Area Flood Control Agency Act (Chapter 130 of West's Annotated California Water Code Appendix) (the "Act") and pursuant to the terms of Resolution No. 07-052 adopted by the Agency on May 31, 2007 (the "Resolution").

The Series 2007 Bonds will be secured by assessments (the "Consolidated Capital Assessments") to be levied by the Agency on property in the Agency's Consolidated Capital Assessment District (the "District"). See "SECURITY FOR THE SERIES 2007 BONDS – Flow of Funds" herein.

The Series 2007 Bonds are being issued to provide funds to (i) advance refund the Agency's North Area Local Project Capital Assessment District No. 2 Bonds, Series 2005 (the "Series 2005 Bonds"); (ii) prepay the Agency's Bond Anticipation Notes, Series A (the "2006 Series A Notes") and Series B (the "2006 Series B Notes" and, together with the 2006 Series A Notes, the "2006 Notes"); (iii) finance, or reimburse the Agency for, the cost of certain flood control facilities consisting of a series of levee and other flood control improvements to be acquired and constructed in and for the District under and pursuant to the Act, as more particularly described in the Final Engineer's Report attached hereto as Appendix A (see "THE DISTRICT - The 2007 Project" herein); (iv) pay the cost of a reserve fund insurance policy (the "Reserve Fund Policy"), to be issued by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company (the "Insurer"), to satisfy the Required Reserve; and (v) pay the costs of issuance of the Series 2007 Bonds. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF BOND PROCEEDS" herein.

The Resolution authorizes the issuance of additional bonds payable from the Consolidated Capital Assessments on a parity with the Series 2007 Bonds, subject to satisfaction of the conditions specified in the Resolution. The Agency contemplates the issuance of approximately $70 million in additional bonds in 2008, approximately $41 million in additional bonds in 2011, and $44 million in additional bonds in 2014. See "THE DISTRICT – The 2007 Project – Funding of the Projects" herein. The Series 2007 Bonds, together with any additional parity bonds issued pursuant to the Resolution are referred to herein as the "Bonds." The Resolution also permits the issuance of additional bonds and other obligations payable from the Consolidated Capital Assessments on a subordinate basis to the Bonds. See "SECURITY FOR THE SERIES 2007 BONDS – Additional Bonds."

The District boundaries encompass approximately 89,700 acres and contain approximately 140,000 parcels of land. The total assessed value of the property within the District is estimated at $40.7 billion for Fiscal Year 2006-07. The estimated annual Consolidated Capital Assessment for the District for Fiscal Year 2007-08, is approximately $18.1 million. See "THE DISTRICT" herein.

The payment of principal of and interest on the Series 2007 Bonds when due will be insured by a municipal bond insurance policy (the "Insurance Policy") to be issued simultaneously with delivery of the Series 2007 Bonds by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company, as bond insurer (the "Insurer"). See "BOND INSURANCE" and APPENDIX G – "FORM OF BOND INSURANCE POLICY" herein.

The Agency has covenanted that, so long as any Bonds are outstanding, it will annually levy in each Fiscal Year the Consolidated Capital Assessments against all Assessable Land (as defined in the Resolution) in the District at not to exceed the maximum rates specified in the Final Engineer's Report for the District dated April 19, 2007 (the "Final Engineer's Report"), using the method for apportioning such Consolidated Capital Assessments provided in the Final Engineer's Report, and make provision for the collection of the Consolidated Capital Assessments in amounts which the Agency estimates will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield Consolidated Capital Assessments Available for Debt Service (as defined in the Resolution) equal to at least one hundred ten percent (110%) of the Annual Debt Service for such Fiscal Year; provided, that failure to provide sufficient money for the foregoing purposes in any Fiscal Year shall not constitute a default under the Resolution so long as the Consolidated Capital Assessments in such Fiscal Year are levied at the maximum rates specified in the Final Engineer's Report, using the method for apportioning such Consolidated Capital Assessments provided in the Final Engineer's Report. See "THE DISTRICT - Consolidated Capital Assessments" herein for a more detailed description of the Consolidated Capital Assessments and the method of apportionment and assessment thereof.

In accordance with the Resolution, a Reserve Account (the "Reserve Account") will be established with the Director of Finance of the County of Sacramento, California, as Treasurer of the Agency (the "Treasurer"). Amounts in the Reserve Account are required to be funded at the Required Reserve and will be used solely for the purpose of payment of principal of and interest on the Bonds in the event that amounts on deposit in the Redemption Account under the Resolution are insufficient for such purpose, or for the retirement of all Bonds then Outstanding. As permitted by the Resolution, the Agency has elected to utilize an insurance policy (the "Reserve Fund Policy"), to be issued by the Insurer, to satisfy the Reserve Requirement. See "SECURITY FOR THE SERIES 2007 BONDS – Reserve Account," "BOND INSURANCE" and APPENDIX G – "FORM OF BOND INSURANCE POLICY" herein.

This Official Statement makes reference to the Resolution and certain other documents. Such references do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to each such document. Capitalized terms used in this Official Statement and not defined elsewhere here have the meaning given such terms in the Resolution. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Definitions of Certain Terms" hereto.

THE SERIES 2007 BONDS

Authority for Issuance of the Series 2007 Bonds

The Series 2007 Bonds are being issued by the Agency pursuant to the Act and the terms of the Resolution.

Description of the Series 2007 Bonds

The Series 2007 Bonds shall be dated the date of delivery, shall be issued in fully registered form in denominations of five thousand dollars ($5,000) or any integral multiple of five thousand dollars ($5,000), and shall mature on the dates and in the principal amounts as set forth in the inside cover page and shall bear interest from the date of delivery payable on April 1, 2008 and semiannually thereafter on April 1 and October 1 in each year, at the rates as set forth on the inside cover page.

The Series 2007 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2007 Bonds. For so long as Cede & Co., as nominee of

DTC, is registered owner of the Series 2007 Bonds, payments of the principal of, premium, if any, and interest on the Series 2007 Bonds will be made directly to DTC. Disbursement of such payment to the DTC Participants is the responsibility of the DTC Participants and the Indirect Participants, each such term as defined in Appendix C hereto. See APPENDIX C – "DTC AND THE BOOK-ENTRY ONLY SYSTEM" hereto.

Redemption of Series 2007 Bonds

Optional Redemption. The Series 2007A Bonds maturing by their terms on or after October 1, 2018, are subject to optional redemption by the Agency prior to their respective maturity dates as a whole or in part on any date on or after October 1, 2017, from funds derived by the Agency from any source other than money on deposit in the Prepayment Fund, upon mailed notice as provided in the Resolution, at a redemption price equal to 100% of the principal amount of the Series 2007A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

The Series 2007B Bonds are not subject to optional redemption prior to maturity.

Mandatory Sinking Fund Redemption. The Series 2007A Bonds maturing on October 1, 2032, are subject to mandatory redemption by the Agency prior to their maturity date in part on October 1 of each year in the amounts set forth in the following table, solely from Sinking Fund Account Payments deposited in the Series 2007A Sinking Fund Subaccount, upon mailed notice as provided herein, at the principal amount thereof together with accrued interest thereon to the date fixed for redemption.

Redemption Date (October 1)	Amount
2028	$3,475,000
2029	3,655,000
2030	3,840,000
2031	4,035,000
2032†	4,245,000

†Maturity

The Series 2007A Bonds maturing on October 1, 2037, are subject to mandatory redemption by the Agency prior to their maturity date in part on October 1 of each year in the amounts set forth in the following table, solely from Sinking Fund Account Payments deposited in the Series 2007A Sinking Fund Subaccount, upon mailed notice as provided herein, at the principal amount thereof together with accrued interest thereon to the date fixed for redemption.

Redemption Date (October 1)	Amount
2033	$4,460,000
2034	4,690,000
2035	4,930,000
2036	5,185,000
2037†	5,450,000

†Maturity

Selection of Bonds for Redemption. If less than all the Outstanding Bonds of any Series of Bonds are to be redeemed at the option of the Agency at any one time, the principal amount of the Bonds of such Series of Bonds of each maturity date or dates to be redeemed shall be selected by the Agency so that the relative principal amounts of each maturity of the Outstanding Bonds of such Series of Bonds prior to such redemption are equivalent, as nearly as practicable, to the relative principal amounts of each maturity of the Outstanding Bonds of such Series of Bonds after such redemption, and if less than all the Outstanding Bonds of any Series of Bonds of any one maturity date are to be redeemed at any one time, the Treasurer shall select the Bonds of such Series of Bonds or the portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars ($5,000) by lot in any manner that such officer deems appropriate and fair.

Notice of Redemption of Bonds. The Treasurer shall mail a notice of redemption to the respective Holders of all Series 2007 Bonds selected for redemption in whole or in part and to all securities depositories and securities information services selected by the Agency to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the Agency in its sole discretion.

Effect of Redemption of Bonds. If notice of redemption has been duly given as provided in the Resolution and money for the payment of the principal of and redemption premiums, if any, on, together with interest to the date fixed for redemption on, the Series 2007 Bonds or portions thereof so called for redemption is held by the Treasurer, then on the date fixed for redemption designated in such redemption notice such Series 2007 Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Series 2007 Bonds or such portions thereof so called for redemption shall cease to accrue and the Holders of such Series 2007 Bonds shall have no rights in respect thereof except to receive payment from the money held by the Treasurer for that purpose of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the date fixed for redemption.

PLAN OF FINANCING

Refunding of Series 2005 Bonds

The Agency will apply a portion of the proceeds of the sale of the Series 2007 Bonds, together with other available moneys, to establish an irrevocable escrow fund to advance refund and defease all of the Series 2005 Bonds, as described below. The proceeds of the Series 2005 Bonds were used to refund the Agency's North Area Local Project Capital Assessment District No. 2 Bonds, Series 1995 and North Area Local Project Capital Assessment District No. 2 Subordinated Series 1996 Bonds, which were initially issued to finance certain facilities within the Agency's North Area Local Project Capital Assessment District No. 2. The Series 2005 Bonds consist of the following:

Sacramento Area Flood Control Agency
North Area Local Project Capital Assessment District No. 2 Bonds, Series 2005

Maturity Date (October 1)	*Par Amount*	*Interest Rate*	*Maturity or Redemption Date (October 1)*	*Redemption Price*	*CUSIP No. 785840*†
2007	$1,115,000	5.00%	2007	N/A	CC1
2008	1,170,000	5.00	2008	N/A	CD9
2009	1,225,000	5.00	2009	N/A	CE7
2010	1,290,000	5.00	2010	N/A	CF4
2011	1,350,000	5.00	2011	N/A	CG2
2012	1,420,000	5.00	2012	N/A	CH0
2013	1,485,000	5.00	2013	N/A	CJ6
2014	1,570,000	5.00	2014	N/A	CK3
2015	1,645,000	5.00	2015	N/A	CL1
2016	1,725,000	5.00	2015	100%	CM9
2017	1,810,000	5.00	2015	100%	CN7
2018	1,895,000	5.00	2015	100%	CP2
2019	1,995,000	5.00	2015	100%	CQ0
2020	2,095,000	5.00	2015	100%	CR8
2021	2,200,000	5.00	2015	100%	CS6
2022	2,305,000	5.00	2015	100%	CT4
2023	2,425,000	5.00	2015	100%	CU1
2024	2,545,000	5.00	2015	100%	CV9
2025	2,655,000	5.00	2015	100%	CW7
TOTAL	$33,920,000				

Upon the issuance and delivery of the Series 2007 Bonds, a portion of the proceeds thereof shall be applied to the purchase of certain direct obligations of the United States of America which, together with other available moneys, will satisfy the debt service payment obligations with respect to the Series 2005 Bonds until their maturity or redemption date. These direct obligations shall be deposited in an escrow account held by Union Bank of California, N.A., as escrow agent for the Series 2005 Bonds (the "Escrow Agent") under an escrow agreement, dated as of June 1, 2007 (the "Escrow Agreement"), that will require the Escrow Agent to apply the principal of, and interest on such obligations, together with other moneys held by the Escrow Agent, to the payment of principal of and interest on the Series 2005 Bonds when due and redemption of the remaining Series 2005 Bonds on the redemption date of October 1, 2015 at the redemption price specified in the table above.

The obligations of the United States of America so deposited with the Escrow Agent in the escrow account will bear interest at such rates and will be scheduled to mature at such times and in such amounts that, when paid in accordance with their terms together with any other funds held by the Escrow Agent under the Escrow Agreement, sufficient moneys will be available to pay principal of and interest on the Series 2005 Bonds when due and to redeem the remaining Series 2005 Bonds on the redemption date at the redemption price specified in the table above. For information on mathematical verification for the sufficiency of scheduled payments with respect to such obligations of the United States of America and other funds held by the Escrow Agent to make such payments, see "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein. Upon such irrevocable deposit with the Escrow Agent the Series 2005 Bonds will be defeased and will no longer be entitled to the pledge of and charge and lien upon the Consolidated Capital Assessments under the resolution pursuant to which the Series 2005 Bonds were issued. Until the Series 2005 Bonds are defeased, the Series 2005 Bonds are secured by a pledge of the Consolidated Capital Assessments. Amounts held by the Escrow Agent pursuant to the Escrow Agreement will not be available for payment of debt service on the Series 2007 Bonds.

† CUSIP numbers are provided for reference only. The Agency, the Financial Advisor and the Underwriters do not assume any responsibility for the accuracy of such numbers.

Prepayment of the 2006 Notes

The Agency will apply a portion of the proceeds of the sale of the Series 2007 Bonds to prepay the 2006 Notes in full on the date of issuance of the Series 2007 Bonds. The proceeds of the 2006 Notes were used to finance (1) the costs of evaluating and designing improvements to the certain levees protecting portions or the area within the Agency boundaries; (2) a portion of the costs of emergency repairs to certain portions of the east levee of the Sacramento River in the vicinity of Reclamation District 1000's Prichard Lake pumping facility and other Sacramento area flood system improvements; and (3) the costs of forming the District.

The 2007 Project

The Agency will apply a portion of the proceeds of the sale of the Series 2007 Bonds, together with other available moneys, to pay a portion of the costs of the 2007 Project. See "THE DISTRICT – The 2007 Project" herein.

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The estimated sources and uses of funds with respect to the Series 2007 Bonds are set forth below:

Estimated Sources of Funds	
Par amount of the Series 2007 Bonds	$87,130,000.00
Net Original Issue Premium	2,429,795.25
Prior funds and accounts related to Series 2005 Bonds	1,963,000.00
Total Estimated Sources	$91,522,795.25
Estimated Uses of Funds	
Deposit into the Acquisition and Construction Fund(1)	$45,543,800.59
Deposit into the Escrow Account	34,996,707.32
Prepayment of 2006 Notes	10,463,541.68
Underwriting Discount	518,745.66
Total Estimated Uses	$91,522,795.25

(1) Includes costs of issuance, including rating agency, legal, financial advisory, Insurance Policy premium, Reserve Fund Policy premium, printing, and other costs of issuance.

SECURITY FOR THE SERIES 2007 BONDS

Consolidated Capital Assessments

The Series 2007 Bonds are payable from and secured by the moneys in the Consolidated Capital Assessment Fund, from the annual Consolidated Capital Assessments to be levied on parcels of property in the District. Principal of and interest on the Series 2007 Bonds are secured exclusively by the Consolidated Capital Assessments on deposit in the Consolidated Capital Assessment Fund, as described herein.

The Resolution provides that, as security for the payment of the principal of, premium, if any, and interest on the Bonds, the Agency irrevocably pledges to the Treasurer for the benefit of the Holders the Consolidated Capital Assessment Fund and all of the Consolidated Capital Assessments, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The Resolution provides that the collateral specified therein shall immediately be subject to the pledge set forth in the Resolution, and the pledge shall constitute a lien and security interest which shall immediately attach to the collateral and be effective, binding and enforceable against the Agency and all others asserting rights therein, to the extent set forth, and in accordance with the Resolution irrespective of whether those parties have notice of the pledge and without the need for any physical delivery, recordation, filing, or further act.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AGENCY OR ANY MEMBER THEREOF OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2007 BONDS. EXCEPT FOR THE CONSOLIDATED CAPITAL ASSESSMENTS, NO TAXES OR ASSESSMENTS ARE PLEDGED TO THE PAYMENT OF THE SERIES 2007 BONDS. THE SERIES 2007 BONDS ARE NOT GENERAL OBLIGATION BONDS OF THE AGENCY NOR ANY MEMBER THEREOF, BUT ARE LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM THE CONSOLIDATED CAPITAL ASSESSMENTS, AS MORE FULLY DESCRIBED HEREIN.

Although the annual Consolidated Capital Assessments constitute liens on the lots and parcels assessed, they do not constitute a personal indebtedness of the respective owners of said lots and parcels. Furthermore, there can be no assurance as to the ability or the willingness of such owners to pay the Consolidated Capital Assessments. See "THE DISTRICT – Payment of Consolidated Capital Assessments" herein.

The Consolidated Capital Assessments are to be deposited into the Consolidated Capital Assessment Fund which will be held by the Treasurer and used to pay the principal of and interest on the Bonds as they become due.

In order to make provision for the collection of the Consolidated Capital Assessments in amounts which the Agency estimates will be sufficient to pay principal of and interest on Bonds, the Agency has agreed to levy in each year the Bonds are Outstanding, Consolidated Capital Assessments in the amounts as described herein under the caption "Covenant to Levy Consolidated Capital Assessments."

Reserve Account

The Reserve Account will be established within the Consolidated Capital Assessment Fund held pursuant to the Resolution in an amount equal to the Required Reserve in order to secure the payment of principal of and interest on Bonds. If on any interest payment date with respect to any Bonds (including the Series 2007 Bonds) the amounts on deposit to pay the principal of and interest due on any Bonds (including the Series 2007 Bonds) are insufficient therefor, amounts in the Reserve Account shall be applied to make up such deficiencies. To the extent additional Bonds are issued, the amounts in the Reserve Account would have to be increased to the Required Reserve after taking such additional Bonds into account. "Required Reserve" means, as of any date of determination, the least of (i) 10% of the initial offering price to the public of the Bonds (as determined under the Code (as defined in the Resolution)), or (ii) the Maximum Annual Debt Service on the Bonds, or (iii) 125% of the average annual Debt Service on the Bonds during the period beginning with the then current Fiscal Year and ending with the Fiscal Year in which the last outstanding Bonds mature by their terms, but not greater than the maximum amount permitted to be held in the Reserve Account pursuant to the Code. Upon prior notification to each of the Rating Agencies, the Required Reserve, or any portion thereof, may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to the highest rating assigned by each of the Rating Agencies. The Agency has elected to utilize the Reserve Fund Policy to satisfy the Reserve Requirement. See "BOND INSURANCE" and APPENDIX D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" hereto.

Covenant to Levy Consolidated Capital Assessments

The Agency has covenanted that, so long as any Bonds (as defined herein) are outstanding, it will annually levy in each Fiscal Year, through Fiscal Year 2036-2037, the Consolidated Capital Assessments against all Assessable Land (as defined in the Resolution) in the District at not to exceed the maximum rates specified in the Final Engineer's Report, using the method for apportioning such Consolidated Capital Assessments provided in the Final Engineer's Report, and make provision for the collection of the Consolidated Capital Assessments in amounts which the Agency estimates will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield Consolidated Capital Assessments Available for Debt Service (as defined in the Resolution) equal to at least one hundred ten percent (110%) of the Annual Debt Service for such Fiscal Year; provided, that failure to provide sufficient money for the foregoing purposes in any Fiscal Year shall not constitute a default under the Resolution so long as the Consolidated Capital Assessments in such Fiscal Year are levied at the maximum rates specified in the Final Engineer's Report, using the method for apportioning such Consolidated Capital Assessments provided in the Final Engineer's Report.

For purposes of the Resolution, "Consolidated Capital Assessments Available for Debt Service" means, for any period of calculation, (1) the Consolidated Capital Assessments levied and collected on all Privately Owned Assessable Land and (2) the Consolidated Capital Assessments on all Governmentally-Owned Assessable Land transferred from the Prepayment Fund to the Consolidated Capital Assessment Fund; provided, however that amounts described in clause (2) shall only be included in the definition of "Consolidated Capital Assessments Available for Debt Service" to the extent that the Consolidated Capital Assessments prepaid with respect to such Governmentally-Owned Assessable Land have been prepaid in full for the entire term that any such Consolidated Capital Assessments may be levied pursuant to the Act.

See "THE DISTRICT - Consolidated Capital Assessments" herein for a more detailed description of the Consolidated Capital Assessments and the method of apportionment and assessment thereof.

Covenant to Foreclose Against Privately Owned Assessable Land

The Agency will annually on or before September 1 of each year review the public records of the County of Sacramento and the County of Sutter relating to the collection of the Consolidated Capital Assessments in order to determine the amount of the Consolidated Capital Assessments collected in the prior Fiscal Year in respect of Privately Owned Assessable Land (as defined in the Resolution), and if Privately Owned Assessable Land owned by any single property owner in the District is delinquent by more than ten thousand dollars ($10,000) with respect to the Consolidated Capital Assessments due and payable by such property owner by such delinquency date, then the Agency will by December 31 institute, prosecute and pursue foreclosure proceedings as authorized by the Act in order to enforce the lien of such delinquent installments. Furthermore, if the Agency determines on the basis of such review that the total amount so collected in respect of Privately Owned Assessable Land is less than ninety-five percent (95%) of the total amount of the Consolidated Capital Assessments levied on Privately Owned Assessable Land in such Fiscal Year, it will promptly commence collection proceedings to collect all such delinquent installments of the Consolidated Capital Assessments as follows:

A. With respect to any such delinquent installments in excess of five hundred dollars ($500) not collected by the next succeeding December 1, it will promptly institute foreclosure proceedings as authorized by the Agency Act in order to enforce the lien of such delinquent installments in excess of five hundred dollars ($500) against each separate lot or parcel of land in the District and will diligently prosecute and pursue such foreclosure proceedings.

B. With respect to each delinquent assessment of less than five hundred dollars ($500) but more than two hundred dollars ($200) not collected by the next succeeding July 1, it will promptly institute and diligently pursue foreclosure proceedings in order to enforce the lien of the delinquent assessment.

C. All delinquent Consolidated Capital Assessments of two hundred dollars ($200) or less will be collected with and in the same manner as delinquent general taxes on real property of the County of Sacramento.

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments.

Under current law, a judgment debtor (property owner) has at least 140 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale if the purchaser at the sale is the judgment creditor, which must be brought within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment of the judgment creditor is revived, the judgment creditor is entitled to interest on the revived judgment and any liens extinguished by the sale are revived as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure).

Covenant to Seek Enforcement of Consolidated Capital Assessment Liens on Governmentally-Owned Assessable Land

In addition, the Resolution provides that the Agency will annually on or before September 1 of each year review its own records and the public records of the County of Sacramento and of the County of Sutter relating to the collection of the Consolidated Capital Assessments in order to determine the amount of the Consolidated Capital Assessments collected in the prior Fiscal Year in respect of Governmentally-Owned Assessable Land (as defined in the Resolution), and if property owned by any single governmental entity (whether local, state or federal) in the District is delinquent by more than ten thousand dollars ($10,000) with respect to the Consolidated Capital Assessments due and payable by such governmental entity by that date, then the Agency will by December 31, unless prohibited by an order of a court of competent jurisdiction (or unless the Agency, after consultation with counsel, determines, in good faith, in any particular instance, that it lacks the legal power to enforce the delinquent assessment), institute and then prosecute and pursue judicial proceedings to seek enforcement and collection of such delinquent Consolidated Capital Assessments. See "CERTAIN RISK FACTORS – Limitations on the Ability of the Agency to Collect Consolidated Capital Assessments Imposed with Respect to Governmentally-Owned Assessable Land".

Flow of Funds

The Resolution provides that the Consolidated Capital Assessments, when and as received, will be deposited by the Agency with the Treasurer in the "Sacramento Area Flood Control Agency Consolidated Capital Assessment District Consolidated Capital Assessment Fund".

All money in the Consolidated Capital Assessment Fund shall be set aside by the Treasurer in the following respective funds or accounts in the following order of priority:

Redemption Account. Each year, when and as money is deposited in the Consolidated Capital Assessment Fund as provided in the Resolution, the Treasurer shall, from the money in the Consolidated Capital Assessment Fund, transfer to and deposit in the Redemption Account an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on or before the first (1st) day of the next succeeding October, beginning with October 1, 2008, the Treasurer shall then, from the remaining money in the Consolidated Capital Assessment Fund, transfer to and deposit in the Redemption Account an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on or before such date plus the aggregate amount of all Sinking Fund Account Payments required to be made on or before that date into all Sinking Fund Subaccounts for all Outstanding Term Bonds.

All money in the Redemption Account shall be used and withdrawn by the Treasurer to pay the interest on the Bonds as they shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity) plus the principal of the Bonds as they shall mature or upon the mandatory redemption thereof, except that any money in any Sinking Fund Subaccount shall be used only to purchase or redeem or retire the Term Bonds for which such Sinking Fund Subaccount was created as provided in the Resolution or in any Supplemental Resolution.

Reserve Account. Once all deposits to the Redemption Account described above have been made, the Treasurer shall then, from the remaining money in the Consolidated Capital Assessment Fund, transfer to and deposit in the Reserve Account such amount of money as shall be required to restore the Reserve Account to a sum equal to the Required Reserve.

All money in the Reserve Account shall be used by the Treasurer solely for the purpose of paying the interest on or principal of the Bonds in the event there is insufficient money in the Redemption Account available for this purpose or for the retirement of all Bonds then Outstanding.

Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund. Once all deposits to the Redemption Account described above have been made and all deposits to the Reserve Account described above have been made, the Treasurer shall transfer to and deposit in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund all then remaining money in the Consolidated Capital Assessment Fund. The Resolution requires the Treasurer to establish and maintain the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund for at least so long as any Bonds are Outstanding under the Resolution. Amounts in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund shall be free of the trust, pledge, lien and encumbrance of the Resolution, and shall be used by the Agency for any lawful purpose in accordance with the Act; provided, that the Treasurer shall not deposit any money in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund if and when the Agency is in default under the Resolution.

Prepayment Fund

The Agency agrees and covenants in the Resolution that all proceeds from prepayments of the Consolidated Capital Assessments, if and when permitted under the Act and when and as received by the Agency, will be deposited by it with the Treasurer in the "Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds Prepayment Fund" (the "Prepayment Fund"), which fund the Treasurer shall establish and maintain so long as any Bonds shall be Outstanding. All money in the Prepayment Fund shall be held by the Treasurer in trust under the Resolution and shall be disbursed, allocated and applied solely to purchase direct obligations of the United States of America or obligations the payment of the interest on and principal of which is guaranteed by a pledge of the full faith and credit of the United States of America, provided, that (i) such investments shall not be at a yield greater than the yield on the Tax-Exempt Bonds (as defined in the Resolution), and (ii) the obligations so purchased shall mature on or prior to the date upon which the proceeds thereof are needed, and shall be in amounts (together with other moneys available therefor) sufficient to pay the maximum Consolidated Capital Assessments payable with respect to the properties to which such prepayment relates on the dates such Consolidated Capital Assessments would otherwise be payable. All receipts under any such investments shall be deposited in the Consolidated Capital Assessment Fund as and when received; provided, that the Agency agrees and in the Resolution covenants that it will not permit any prepayment of the Consolidated Capital Assessments and the purchase of any obligations as provided in the Resolution unless it shall have first obtained and filed with the Treasurer an opinion of an independent municipal financing consultant that the purchase and use of any such obligations to satisfy the requirement of the Agency to pay Debt Service will not have an adverse effect on the security for the Bonds.

Investment of Funds

All moneys in the funds and accounts created pursuant to the Resolution shall be invested in Permitted Investments, as provided in the Resolution. Permitted Investments include investments in the Sacramento County Pooled Investment Fund (the "County Pool"), which is managed by the Director of Finance.

The County Pool is governed by the Sacramento County Investment Policy for Pooled Investment Funds (the "Investment Policy") as authorized by Sections 53601 et seq. and 53635 et seq. of the Government Code of California (the "California Government Code") which the Director of Finance annually renders to the Board of Supervisors. The Board of Supervisors review and approve the Investment Policy at a public meeting. This policy defines investible funds, authorized instruments, credit quality required, maximum maturities and concentrations and collateral requirements, and provides the approved credit standards, investment objectives and specific constraints of the portfolios managed. The Investment Policy also authorizes the establishment and periodic review of investment guidelines, which provide specific guidance to the portfolio managers. These investment guidelines are fully consistent with and subordinate to the Investment Policy.

Authorized investments are required to match the general categories established by Sections 53601 et seq., 53635 et seq., and 16429.1 et seq. of the California Government Code; including the specific categories of financial futures and financial options established by California Government Code Section 53601.1. No investments are authorized having the possibility of returning a zero or negative investment yield when held to term. The County Pool is currently invested in a diversified portfolio of high-quality securities, including U.S.

Treasury notes and bills ("U.S. Treasuries"), U.S. agency securities ("Government Agencies"), commercial paper, certificates of deposit, money market funds, time deposits and repurchase agreements. Approximately 2% of pool assets are invested in the County's Teeter Plan note program, which has a final maturity of five years. Additionally up to $40 million of the assets of the County Pool are invested in the Local Agency Investment Fund ("LAIF"), the California State investment pool. LAIF is a diversified investment pool, with an average maturity of approximately one year, offering participants daily liquidity.

The Investment Policy currently provides the following: (1) the maximum maturity of any investment will be five years and the dollar weighted average maturity of all securities will be equal to or less than three years; (2) no more than 80% of the portfolio may be invested in issues other than United States Treasuries and Government Agencies, and no more than 10% of the portfolio, except United States Treasuries and Government Agencies, may be invested in the securities of a single issuer including its related entities; (3) repurchase agreements are authorized in a maximum maturity not exceeding one year; (4) reverse repurchase agreements are authorized in a maximum maturity of 92 days, and the proceeds of a reverse repurchase agreement may not be invested beyond the expiration of the agreement; and (5) repurchase agreements must be collateralized with either (a) United States Treasuries and Government Agencies with a market value of 102% for collateral maturing between one day to five years, marked to market daily, or (b) money market instruments which are on the approved list for the County and which meet the qualifications of the Investment Policy, with a market value of 102%. Use of mortgage-backed securities for collateral is not permitted, for the purpose of investing the daily excess bank balance, the collateral provided by the County's depository bank can be U.S. Treasuries, Government Agencies valued at 110% or mortgage-backed securities valued at 150%.

Investments within the County Pool are reviewed on a monthly basis by an internal Investment Review Group, which consists of the Director of Finance and his designees. The Investment Review Group audits and reviews the investments to ensure compliance with the government code and the Investment Policy. Additionally, an internal Investment Group, consisting of the Director of Finance and his designees, reviews the strategies and investment guidelines in relation to the changing financial markets and maintains certain approved lists under the Investment Policy. In both the cases of the Investment Review Group and the Investment Group, the role of the designees is advisory except where specifically authorized by the Director of Finance. Each quarter, a ten-member Treasury Oversight Committee monitors the investment activities by reviewing the portfolio report produced by the Department of Finance Treasury Division. This report validates the compliance of all investment activities to the established parameters and monitoring guidelines.

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

Proceeds of the Series 2007 Bonds are separately invested, with only small residual balances deposited in the County Pool.

Additional Bonds

Additional Bonds may be issued by the Agency payable from the Consolidated Capital Assessments on a parity with the Series 2007 Bonds under the Resolution, subject to the conditions specified in the Resolution, including the following:

> (1) The Consolidated Capital Assessments Available for Debt Service for the most recently completed Fiscal Year for which audited financial statements are available, as shown by a certificate of the Agency on file with the Treasurer, are equal to at least one hundred ten percent (110%) of the Maximum Annual Debt Service on all Bonds to be Outstanding after the issuance of such Series of Bonds; or
>
> (2) The Consolidated Capital Assessments Available for Debt Service that (i) are expected to be collected during the current Fiscal Year or (ii) were collected during the immediately

preceding Fiscal Year or (iii) are expected to be collected during the next succeeding Fiscal Year, in each case as shown by a Certificate of the Agency on file with the Treasurer, are equal to at least one hundred ten percent (110%) of Maximum Annual Debt Service on all Bonds to be Outstanding after the issuance of such Series of Bonds.

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Conditions for the Issuance of Additional Bonds" hereto for a description of the provisions of the Resolution governing the issuance of such additional Bonds.

Nothing contained in the Resolution shall limit the issuance of any Series of Bonds payable from the Consolidated Capital Assessments as provided in the Resolution for the purpose of refunding any Outstanding Bonds if the Debt Service (as defined in the Resolution) in the current and each succeeding Fiscal Year is not increased by reason of the issuance of such Series of Bonds; and provided further, that nothing contained in the Resolution shall limit the issuance of any bonds of the Agency payable from the Consolidated Capital Assessments as provided in the Resolution if after the issuance and delivery of such bonds none of the Bonds theretofore issued under the Resolution will be Outstanding and nothing contained in the Resolution shall limit the ability of the Agency to issue or incur bonds or other obligations that are secured by a pledge, lien or other encumbrance on Consolidated Capital Assessments on deposit in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund so long as that pledge, lien or encumbrance is subordinate to the pledge, lien and encumbrance on Consolidated Capital Assessments that secures the Bonds.

The Agency contemplates the issuance of additional Series of Bonds in 2008, 2011, and 2014. See "THE DISTRICT – The 2007 Project" and Table 5 – "Projected Debt Service Coverage" herein.

Debt Service Schedule

Following is a debt service schedule for the Series 2007 Bonds.

Debt Service Schedule

Fiscal Year Ending	Series 2007A Bonds		Series 2007B Bonds		
June 30	Principal	Interest(1)	Principal	Interest	Total
2008	-	$3,110,612.85	-	$175,802.53	$3,286,415.38
2009	-	4,072,075.00	$1,265,000	195,290.75	5,532,365.75
2010	-	4,072,075.00	1,400,000	121,520.00	5,593,595.00
2011	-	4,072,075.00	1,475,000	41,300.00	5,588,375.00
2012	$1,545,000	4,041,175.00	-	-	5,586,175.00
2013	1,610,000	3,978,075.00	-	-	5,588,075.00
2014	1,675,000	3,912,375.00	-	-	5,587,375.00
2015	1,745,000	3,843,975.00	-	-	5,588,975.00
2016	1,825,000	3,763,450.00	-	-	5,588,450.00
2017	1,915,000	3,669,950.00	-	-	5,584,950.00
2018	2,015,000	3,571,700.00	-	-	5,586,700.00
2019	2,120,000	3,468,325.00	-	-	5,588,325.00
2020	2,225,000	3,359,700.00	-	-	5,584,700.00
2021	2,335,000	3,251,537.50	-	-	5,586,537.50
2022	2,450,000	3,137,750.00	-	-	5,587,750.00
2023	2,575,000	3,012,125.00	-	-	5,587,125.00
2024	2,705,000	2,880,125.00	-	-	5,585,125.00
2025	2,845,000	2,741,375.00	-	-	5,586,375.00
2026	2,990,000	2,595,500.00	-	-	5,585,500.00
2027	3,145,000	2,442,125.00	-	-	5,587,125.00
2028	3,305,000	2,280,875.00	-	-	5,585,875.00
2029	3,475,000	2,111,375.00	-	-	5,586,375.00
2030	3,655,000	1,933,125.00	-	-	5,588,125.00
2031	3,840,000	1,745,750.00	-	-	5,585,750.00
2032	4,035,000	1,548,875.00	-	-	5,583,875.00
2033	4,245,000	1,341,875.00	-	-	5,586,875.00
2034	4,460,000	1,124,250.00	-	-	5,584,250.00
2035	4,690,000	895,500.00	-	-	5,585,500.00
2036	4,930,000	655,000.00	-	-	5,585,000.00
2037	5,185,000	402,125.00	-	-	5,587,125.00
2038	5,450,000	136,250.00	-	-	5,586,250.00
Totals	$82,990,000	$83,171,100.35	$4,140,000	$533,913.28	$170,835,013.63

BOND INSURANCE

The Insurer has supplied the following information for inclusion in this Official Statement. No representation is made by the issuer or the underwriter as to the accuracy or completeness of this information.

Payments Under the Policy

Concurrently with the issuance of the Series 2007 Bonds, Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company ("Financial Guaranty" or the "Insurer") will issue its Municipal Bond New Issue Insurance Policy for the Series 2007 Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 2007 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Agency. Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Agency. The Fiscal Agent will disburse such amount due on any Series 2007 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 2007 Bond includes any payment of principal or interest (as applicable) made to an owner of a Series 2007 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal of the Series 2007 Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Series 2007 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Series 2007 Bonds is accelerated, Financial Guaranty will only be obligated to pay principal and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Series 2007 Bond and will be fully subrogated to all of the Bondholder's rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Agency, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure Bonds, Financial Guaranty may be granted certain rights under the Series 2007 Bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 2007 Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

The Reserve Fund Policy

Concurrently with the issuance of the Series 2007 Bonds, Financial Guaranty will issue its Municipal Series 2007 Bond Debt Service Reserve Fund Policy (the "Reserve Fund Policy"). The Reserve Fund Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Series 2007 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Issuer, provided that the aggregate amount paid under the Reserve Fund Policy may not exceed the maximum amount set forth in the Reserve Fund Policy, \$ 5,593,595 Financial Guaranty will make such payments to the Treasurer on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Treasurer of the nonpayment of such amount by the Issuer. The term "nonpayment" in respect of a Series 2007 Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Series 2007 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

The Reserve Fund Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 2007 Bonds. The Reserve Fund Policy covers failure to pay principal or accreted value (if applicable) of the Series 2007 Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Series 2007 Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Fund Policy shall terminate on the earlier of the scheduled final maturity date of the Series 2007 Bonds or the date on which no Series 2007 Bonds are outstanding under the authorizing document.

Generally, in connection with its issuance of a Reserve Fund Policy, Financial Guaranty requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Fund Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the Series 2007 Bonds or (B) remedies which would adversely affect holders in the event that the Agency fails to reimburse Financial Guaranty for any draws on the Reserve Fund Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Fund Policy may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the issuer of the Series 2007 Bonds is required to provide additional or substitute credit enhancement, and related matters.

The Reserve Fund Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Reserve Fund Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

Financial Guaranty Insurance Company

Financial Guaranty is a New York stock insurance corporation that writes financial guaranty insurance in respect of public finance and structured finance obligations and other financial obligations, including credit default swaps. Financial Guaranty is licensed to engage in the financial guaranty insurance business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and the United Kingdom.

Financial Guaranty is a direct, wholly owned subsidiary of FGIC Corporation, a Delaware corporation. At March 31, 2007, the principal owners of FGIC Corporation and the approximate percentage of its outstanding common stock owned by each were as follows: The PMI Group, Inc. – 42%; affiliates of the Blackstone Group L.P. – 23%; and affiliates of the Cypress Group L.L.C. – 23%. Neither FGIC Corporation nor any of its stockholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where Financial Guaranty is domiciled, including New York's comprehensive financial guaranty insurance law. That law, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance (and related lines); requires that each financial guaranty insurer maintain a minimum surplus to policyholders; establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source (known as single risk limits) and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as compared to the policyholders' surplus (known as aggregate risk limits); and establishes contingency, loss and unearned premium reserve requirements. In addition, Financial Guaranty is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction.

At March 31, 2007, Financial Guaranty had net admitted assets of approximately \$3.947 billion, total liabilities of approximately \$2.828 billion, and total capital and policyholders' surplus of approximately \$1.119

billion, determined in accordance with statutory accounting practices ("SAP") prescribed or permitted by insurance regulatory authorities.

The unaudited financial statements as of March 31, 2007, and the audited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of U.S. generally accepted accounting principles ("GAAP"), as of December 31, 2006 and December 31, 2005, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "BOND INSURANCE," or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Series 2007 Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

The New York State Insurance Department recognizes only SAP for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although Financial Guaranty prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to Financial Guaranty's audited SAP financial statements.

Copies of Financial Guaranty's most recently published GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

Financial Guaranty's Credit Ratings

The financial strength of Financial Guaranty is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Series 2007 Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2007 Bonds. Financial Guaranty does not guarantee the market price or investment value of the Series 2007 Bonds nor does it guarantee that the ratings on the Series 2007 Bonds will not be revised or withdrawn.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Series 2007 Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading "BOND INSURANCE." In addition, Financial Guaranty makes no representation regarding the Series 2007 Bonds or the advisability of investing in the Series 2007 Bonds.

ENGINEER'S REPORT

Attached hereto as Appendix A is the Final Engineer's Report prepared by PB (the "Engineer"). The Final Engineer's Report was commissioned by the Agency as a legally required part of the formation of the District. The Final Engineer's Report identifies the improvements to be funded in part from the proceeds of the Series 2007 Bonds; provides an estimate of the total costs of these improvements and the share of such cost allocable to the Agency; contains a cash flow analysis relating to the projected Consolidated Capital Assessments, as well as projected debt service and operation and maintenance requirements of the Agency; and describes the assessment methodology. The Final Engineer's Report describes the boundaries of the District, and the flood damage reduction benefits and project special benefit zones that will be used to proportionally spread the Consolidated Capital Assessments among the properties in the District.

Certain information concerning the Agency and the District in this Official Statement has been excerpted from the Final Engineer's Report. The estimates, projections and conclusions expressed in the Final Engineer's Report are based upon certain assumptions, calculations and qualifications set forth therein, and the Final Engineer's Report should be read in its entirety. While the Engineer believes these assumptions to be reasonable for purposes of the Final Engineer's Report, the assumptions may vary significantly from actual future conditions due to unanticipated events and circumstances. To the extent that actual future conditions vary from those assumed in the Final Engineer's Report, the actual results will vary from those contained in the Final Engineer's Report. See Appendix A to this Official Statement.

THE AGENCY

Background

The Agency is a joint exercise of powers agency created pursuant to the terms of the Act and pursuant to Sections 6500 et seq. of the California Government Code (the "JPA Act") and the Joint Exercise of Powers Agreement, dated January 17, 1991, as amended, by and among Reclamation District No. 1000, the County of Sacramento, the Sacramento County Water Agency, the County of Sutter, the Sutter County Water Agency, the City of Sacramento and the American River Flood Control District (the "Joint Powers Agreement"). The Agency was created in September 1989. The Agency is governed by a board of directors of 13 members, five representing the County of Sacramento (the "County"), three representing the City of Sacramento (the "City"), two each representing the American River Flood Control District and Reclamation District No. 1000 and one representing Sutter County. The Agency is staffed by the assignment of three City and nine County employees and one contract employee and is headed by Stein Buer, Executive Director. The Agency carries out its project planning, administration, construction activities through the use of consultants and contractors under the supervision of the Agency's management staff.

The Agency's flood risk reduction program focuses on the major floodplains on the Sacramento area along the lower American and Sacramento Rivers and their tributaries. The goals of this program are to provide at least a 100-year level of flood protection as quickly as possible; work toward achieving urban-standard ("200-year") flood protection over time; and ensure the structural integrity of the levee system.

Since its inception, the Agency has completed a series of levee and related improvements around the Natomas Basin and along the lower reaches of Dry/Robla and Arcade Creeks in the North Sacramento area. In addition, the Agency has cooperated with the U. S. Army Corps of Engineers and the California Reclamation Board and provided funding for levee improvements along the east levee of the Sacramento River and the north and south levees of the American River in the Sacramento Area. These improved facilities are part of the comprehensive system of flood control works that constitutes the Sacramento River Flood Control Project extending from Shasta Dam to the Sacramento-San Joaquin River Delta. This system is managed through a partnership of federal, state, and local interests. The federal government provides approximately two-thirds of the funding needed for capital improvements, with the remainder split between the State of California and local interests. The various improvements and projects implemented by the Agency are owned by various agencies that have jurisdiction over such improvements and projects and are maintained by local agencies and the Agency. Following are resumes of senior Agency staff members.

Stein Buer, Executive Director. Mr. Buer was appointed Executive Director of the Agency in July, 2004. Prior to that Mr. Buer served as Chief of the Division of Flood Management with the California Department of Water Resources, overseeing State participation in flood control project maintenance, flood operations, floodplain management, and capital outlay projects. In his career Mr. Buer has participated in Delta planning and management activities, including 3-1/2 years with the CALFED Bay-Delta Program. Mr. Buer received a Bachelor of Science degree in Zoology and a Master of Science in Civil Engineering from University of California, Davis.

Timothy Washburn, Esq., Agency Counsel. Mr. Washburn has been chief counsel to the Agency since 1990. Before joining the Agency, Mr. Washburn served for two years as Deputy City Attorney for the City of Sacramento, following two years in private practice. Mr. Washburn received a Bachelor of Arts in History from the University of California in 1983 and received his law degree from the University of California, Davis in 1986.

Julie Lienert, Director of Administration. Ms. Lienert was appointed as the Director of Administration of the Agency in March 1996, and serves as the Agency's Chief Financial Officer. Since joining the County of Sacramento in July 1977, Ms. Lienert has held a number of senior level and management positions involving budgeting, debt financing and strategic planning for the County of Sacramento's Municipal Services Agency. Ms. Lienert received a Bachelor of Science Degree in Business Management from Golden Gate University.

Assessment Districts

The Agency was formed for the purpose of providing regional flood protection for the Sacramento area. In order to facilitate implementation of its regional program of flood control improvements, the Agency previously formed the Operation and Maintenance Assessment District, the North Area Local Project Capital Assessment District No. 2 ("District No. 2") and the American River/South Sacramento Streams Group Capital Assessment District No. 3 ("District No. 3"). In connection with the formation of the District, District No. 2 and District No. 3 have been dissolved. In connection with the dissolution of District No. 2, the Consolidated Capital Assessments were pledged to the payment of debt service with respect to the Series 2005 Bonds. See APPENDIX A – "FINAL ENGINEER'S REPORT". The following provides further information regarding the District.

THE DISTRICT

Background

The Board, by Resolution No. 07-013, adopted on February 15, 2007, declared its intention to undertake special capital assessment proceedings pursuant to the Act to form the District for the levy and collection of the Consolidated Capital Assessments in the District. The District was formed on April 26, 2007 pursuant to the Act. The District was established to provide for the funding of the local share of the cost of completing projects necessary to provide flood protection for the developed areas within the District described in the Final Engineer's Report, including the 2007 Project, to operate and maintain the completed projects, to refinance the Series 2005 Bonds, and to prepay the 2006 Notes. The projects to be funded in part by the Agency, which are described in detail in the Final Engineer's Report, generally consist of improvements providing flood protection for residents in the District boundaries. The Consolidated Capital Assessments will be levied annually on parcels within the District boundary. The total assessed value of the property within the District is estimated at $40.7 billion in Fiscal Year 2006-07. The estimated annual Consolidated Capital Assessment for the District for Fiscal Year 2007-08 is approximately $18.1 million.

The 2007 Project

The various flood control facilities to be funded in part by the Agency are described in detail in the Final Engineer's Report and generally consist of a variety of improvements to the levees and the other elements of the flood control system of the District. A portion of the Series 2007 Bonds will be used by the Agency to pay a portion of the cost of such projects. The projects to be funded in whole or in part with proceeds of the Series 2007 Bonds are referred to herein as the "2007 Project" and generally consist of improvements to the south levee on the Natomas Cross Canal in Sutter County, improvements to the south levee of the American River in Sacramento County, and planning and design costs.

Funding of the Projects. As described herein and in the Final Engineer's Report, the Agency expects to pay approximately 10% of the total cost of the various projects identified in the Final Engineer's Report.

Approximately 65% of the remainder of the cost of such projects is expected to be paid by the federal government and the remaining approximately 25% of the cost of such projects is expected to be paid by the State of California. The Agency anticipates utilizing proceeds of the Series 2007 Bonds and Consolidated Capital Assessments not required for the payment of debt service on the Series 2007 Bonds to pay the costs of particular projects at levels in excess of the 10% contribution level ultimately anticipated to be contributed by the Agency. In such circumstances, the Agency anticipates seeking reimbursement or credit from State and federal funds as such funds become available. There can be no assurances that delays or reductions in anticipated federal or State funding will not significantly reduce the scope of the flood control measures described in the Final Engineer's Report or delay the completion thereof, and/or reduce the amounts of reimbursements or credit received by the Agency. See "-Flood Risk" and "RISK FACTORS – Flood, Earthquake and other Natural Disasters."

The cash flow analysis contained in the Final Engineer's Report contemplates the issuance of $113 million in Bonds in 2007, $40 million in Bonds in 2011, and $44 million in Bonds in 2014. See APPENDIX A – "FINAL ENGINEER'S REPORT." The principal amounts specified in the Final Engineer's Report did not include amounts required to refund the Series 2005 Bonds (with respect to the Bonds to be issued in 2007) or bond issuance costs (with respect to all the Bonds). In addition, as described herein in "THE DISTRICT – The 2007 Project – Funding of the Projects," the Agency has determined to divide the Bonds which the Final Engineer's Report expected would be issued in 2007, into two issues: the Series 2007 Bonds, and a Series of Bonds expected to be issued in 2008. Therefore the principal amounts of Bonds used for financial planning purposes by the Agency (and reflected in Table 5 – "Projected Debt Service Coverage") reflect the following projected approximate principal amounts for additional Bonds: $70 million in 2008, $41 million in 2011, and $44 million in 2014. See Table 5 – "Projected Debt Service Coverage" and APPENDIX A – "FINAL ENGINEER'S REPORT" herein.

District Boundary

The boundary of the District includes the Agency's best judgment of the geographic extent of the area of inundation created by an uncontrolled "200-year" flood, assuming a variety of levee failure locations. The boundary encompasses those lands within the Agency jurisdictional boundary that receive the direct flood control benefits of the District. The boundary of the District, which currently includes about 140,000 parcels, approximately 120,000 of which are single family residential parcels, is shown on the map on page 5-3 of Appendix A – Final Engineer's Report.

Flood Risk

The Agency estimates that approximately 95% of the parcels in the District have 100-year flood protection under existing regulations. However, in the aftermath of Hurricane Katrina, in September 2006 the Federal Emergency Management Agency notified Sacramento County and City of Sacramento officials of the need to update the Flood Insurance Rate Maps within the Natomas Basin (which includes approximately 20% of the total number of parcels in the District) through the Physical Map Revision process. This revision is expected to result in the entire Natomas Basin being placed in a regulatory Special Flood Hazard Area, reflecting the fact that the area does not have 100-year flood protection. As set forth in the Final Engineer's Report, the Agency anticipates that those portions of the projects identified in the Final Engineer's Report necessary to restore 100-year flood protection (under current standards) will be completed by 2010. The projects identified in the Final Engineer's Report as providing 100-year flood protection could be delayed for a variety of reasons, including but not limited to longer than expected construction periods, higher than expected construction bids, or delays in state or federal funding. In the event that significant flooding occurs prior to the completion of such projects (or the projects once completed do not provide the expected levels of flood protection) there can be no assurances that such circumstances would not result in significant damages to properties within the District and corresponding reductions to the assessed valuation thereof. In addition, federal standards for 100-year flood protection are currently being revised, and therefore there can be no assurances that implementation of the projects identified in the Final Engineer's Report will result in 100-year flood protection. See "RISK FACTORS-Floods, Earthquakes and Other Natural Disasters."

Consolidated Capital Assessments

Commencing in Fiscal Year 2007-08, the Consolidated Capital Assessments will be collected annually on the County of Sacramento secured tax roll (and County of Sutter secured tax roll, with respect to less than 1% of properties in the District located in Sutter County) on which general taxes on real property are collected and are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do such general taxes. The properties upon which the Consolidated Capital Assessments are to be levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes.

The annual assessment amounts were apportioned among the parcels in the District based on the proportionate benefits each would receive from the various flood control projects. Not all of the projects benefit all of the parcels. The costs of each project are shared only by the properties receiving flood protection from that project. The Engineer has determined that there are eight "zones" of like-benefited parcels.

The methodology for apportioning the annual assessments is explained fully in Section 5 of the Final Engineer's Report. Briefly, it assumes that the proposed projects will spare the properties within the District from damage due to flooding, and that the amount of special benefit thus conferred is proportional to the flood damage that would otherwise have been inflicted by the flood upon the structures, the contents of structures, and the land of each parcel. The method uses some engineering studies and some assumptions to estimate the dollar amount of the damage the flood would have inflicted based on parcel area, land use (residential, commercial or industrial), size of structure (square footage), and the depth of flooding which the parcel would have suffered (which has a particular impact on damage to contents). Note that the absolute accuracy of these estimates is not significant; what is significant is their relative value, because it is these proportions that govern the amount of the assessment assigned to each parcel. The methodology distributes the cost of the projects benefiting each of the project benefit zones to the parcels within each of those zones in proportion to their estimated flood damage.

Using the assessment formula in the Final Engineer's Report, a single family house, will, on average, have an annual assessment of approximately $64 per year. Approximately 95% of the parcels in the District are single family homes. The remaining parcels in the District are predominantly commercial, industrial or are vacant. Including all properties in the District, 79% of the parcels have an assessment of $100 in Fiscal Year 2007-08.

Approximately 11% of the total Consolidated Capital Assessment is payable with respect to land owned by governmental entities. See Table 2 for a listing of properties in the top 25 Assessments owned by governmental entities. Under applicable State law, the Agency generally may not foreclose on governmentally owned property to collect delinquent Consolidated Capital Assessments. In the Resolution, the Agency has covenanted that, if property owned by any single governmental entity (whether local, state or federal) in the District is delinquent by more than ten thousand dollars ($10,000) with respect to the Consolidated Capital Assessments due and payable by such governmental entity by that date, then the Agency will by December 31, unless prohibited by an order of a court of competent jurisdiction (or unless the Agency, after consultation with counsel, determines, in good faith, in any particular instance, that it lacks the legal power to enforce the delinquent assessment), institute and then prosecute and pursue judicial proceedings to seek enforcement and collection of such delinquent Consolidated Capital Assessments. See "SECURITY FOR THE SERIES 2007 BONDS – Covenant to Seek Enforcement of Consolidated Capital Assessment Liens on Governmentally-Owned Assessable Land" and "RISK FACTORS – Limitations on the Ability of the Agency to Collect Consolidated Capital Assessments Imposed with Respect to Governmentally-Owned Assessable Land" herein.

The Consolidated Capital Assessments to be levied for the 2007-08 Fiscal Year are estimated to be approximately $18.1 million. The maximum amount of the Consolidated Capital Assessments that may be levied in future Fiscal Years in accordance with the methodology approved pursuant to the assessment proceeding may increase or decrease each year depending on changes in land use category and development within the District. See "CERTAIN RISK FACTORS – Reduction in Consolidated Capital Assessments" herein.

The following table, based on the expected Fiscal Year 2007-08 levy of the Consolidated Capital Assessments, presents estimated Consolidated Capital Assessment revenues by land use in such Fiscal Year. The table also includes the average amount of expected assessment by land use type.

TABLE 1
ASSESSMENTS BY LAND USE
FISCAL YEAR 2007-2008

Property Land Use	Number of Parcels	Average Assessment	Assessment for Land Use Type	Percent of Total Assessment	Number of Parcels	Assessed Value for Land Use Type	Percent of Total Assessed Value
Single Family Residential	119,606	$64	$7,611,784	42.14%	119,320	$24,963,481,762	61.38%
Multi Family Residential	3,225	$543	$1,749,640	9.69%	3,198	$3,540,842,273	8.71%
Commercial/Office	4,398	$951	$4,183,680	23.16%	4,255	$8,346,397,661	20.52%
Industrial	1,596	$1,405	$2,242,163	12.41%	1,563	$1,865,425,515	4.59%
Governmentally-Owned Assessable Land	3,089	$650	$2,008,355	11.12%	47	$23,436,448	0.06%
Vacant	6,999	$28	$194,895	1.08%	5,657	$1,733,552,509	4.26%
Agriculture	570	$124	$70,631	0.39%	258	$198,800,446	0.49%
	139,483		$18,061,149	100.00%	134,298	$40,671,936,614	100.00%

Source: Sacramento Area Flood Control Agency

Largest Consolidated Capital Assessments

The following table, based on the expected Fiscal Year 2007-08 levy of the Consolidated Capital Assessments, presents the top 25 assessments within the District in such Fiscal Year. As described herein in "-Consolidated Capital Assessments," the Agency generally may not foreclose on Governmentally-Owned Assessable Land to collect delinquent Consolidated Capital Assessments. As shown on the following table, a significant number of the top 25 assessments within the District relate to Governmentally-Owned Assessable Land.

TABLE 2
TOP 25 PROPERTY ASSESSMENTS (1)

	Amount of Consolidated Capital Assessment	Percentage of Total Consolidated Capital Assessment
City of Sacramento	$ 525,298	2.91%
Sacramento City Unified School District	$ 362,451	2.01%
State of California	$ 324,338	1.80%
County of Sacramento	$ 280,615	1.55%
Marvin L/Buzz Oates/William C Cummings	$ 198,923	1.10%
JB Management L P	$ 195,304	1.08%
Natomas Unified School District	$ 122,097	0.68%
Sacramento State University	$ 116,452	0.64%
North Market Center L P	$ 105,369	0.58%
United States of America/United States Postal Service	$ 75,187	0.42%
Opus West Corporation/Opus Estates Corporation	$ 67,978	0.38%
California Public Employees Retirement System	$ 56,334	0.31%
PC Process	$ 53,521	0.30%
California Almond Growers Exchange	$ 48,011	0.27%
Tsakopoulos Angelo K/Tsakopoulos Family Trust/Et al	$ 46,566	0.26%
Grant Union High School District	$ 44,299	0.25%
San Juan Unified School District	$ 42,630	0.24%
Capitol Station	$ 41,427	0.23%
PSBP North Pointe LLC	$ 39,792	0.22%
Florin 5 Developers	$ 38,254	0.21%
SI VIII LLC (Sobrato Interests III)	$ 38,236	0.21%
Northwestern Mutual Life Ins Company	$ 37,835	0.21%
Spieker Properties L P(Equity Office Properties)	$ 37,109	0.21%
Sutter Community Hospitals Of Sacramento	$ 36,378	0.20%
South Sac LLC	$ 36,189	0.20%
Grand Total of Top 25 Assessments	**$ 2,970,594**	**16.45%**
Grand Total Consolidated Capital Assessment District	**$ 18,061,149**	

Source: Sacramento Area Flood Control Agency

(1) Some of property owners identified in the above table have ownership interests in multiple properties within the District. Where property owner names were very similar, the information for such multiple properties has been aggregated. Thus, the list included in this table represents the Agency's best judgment as to common ownership.

Payment of Consolidated Capital Assessments

Under the provisions of the Act, Consolidated Capital Assessments are billed to properties on the regular property tax bills sent to owners of such properties. Such Consolidated Capital Assessments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments.

Consolidated Capital Assessment payments cannot be made separate from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Consolidated Capital Assessment payments in the future.

Teeter Plan

The Agency is responsible for determining the amount of the assessment levy on each parcel which is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the Auditor-Controller for the County of Sacramento (the "County") determines the total amount of taxes and assessments (including the Consolidated Capital Assessments) actually extended on the roll for each fund/agency for which a tax levy has been included (including the Agency). In 1993, the Board of Supervisors of the County, adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code.

During the Fiscal Year, actual collections of current-year taxes and assessments are apportioned to each fund/agency pursuant to their pro rata share of the total property tax roll. At the conclusion of the Fiscal Year, the Auditor-Controller reconciles actual collections versus the total taxes and assessments due each fund/agency. The County subsequently arranges a Teeter Plan financing to purchase the outstanding delinquencies to fund the remaining apportionment due each fund/agency. This financing transaction is usually completed in October each year. The subsequent collections of delinquent taxes and penalties/interest are used as the source of repayment for the Teeter Plan financing. The County realizes its ongoing benefit from the Teeter Plan from the net penalties/interest collected in excess of the interest owed on the Teeter Plan financing. The County may also elect on an annual basis to opt in or out of the Teeter Plan.

The County has elected to include the Consolidated Capital Assessments in its Teeter Plan financing. However, the County has the ability to exclude, on a case-by-case basis, any individual property assessment from the Teeter Plan financing. For example, it is the County's policy not to include in the Teeter Plan financing those property assessments (such as the Consolidated Capital Assessments) that are undergoing an accelerated judicial foreclosure.

The following table presents the delinquency rate for the properties within the District for the assessments imposed on such properties by the Agency with respect to District No. 2 and District No. 3 for Fiscal Years 2000-01 through 2004-05. Parcels formerly within District No. 2 and District No. 3 represent approximately 85% of the parcels in the District.

TABLE 3

DELINQUENCY RATE OF ASSESSMENTS ON PARCELS FORMERLY WITHIN DISTRICT NO. 2 AND NO. 3

ASSESSMENT DELINQUENCY DATA NORTH AREA LOCAL PROJECT CAPITAL ASSESSMENT DISTRICT NO. 2			
Fiscal Year	**Levy**	**Delinquent Amount**	**Delinquent Percent**
2001-02	\$2,580,550	\$28,896	1.12%
2002-03	\$2,690,025	\$27,376	1.02%
2003-04	\$2,963,604	\$27,420	0.93%
2004-05	\$3,268,801	\$34,993	1.07%
2005-06	\$3,651,494	\$61,472	1.68%

ASSESSMENT DELINQUENCY DATA AMERICAN RIVER/SOUTH SACRAMENTO STREAMS GROUP ASSESSMENT DISTRICT NO. 3			
Fiscal Year	**Levy**	**Delinquent Amount**	**Delinquent Percent**
2001-02	$3,868,785	$163,804	4.23%
2002-03	$3777,291	$ 110,060	2.91%
2003-04	$3,813,015	$ 72,710	1.91%
2004-05	$3,833,639	$ 77,359	2.02%
2005-06	$3,837,469	$ 75,420	1.97%

Source: Sacramento Area Flood Control Agency

Assessment Methodology

The formula for calculating Consolidated Capital Assessments, which was adopted by the Agency in connection with the formation of the District in April 2007, spreads the Consolidated Capital Assessments to parcels in proportion to the benefits received by each property from construction of the flood control improvements. As described in the Final Engineer's Report, properties within the District will receive a special flood protection benefit in the form of a substantial reduction in expected flood damages. In addition to this special benefit, the improvements funded by the District will provide incidental benefits throughout the Sacramento metropolitan area.

The special flood damage reduction benefit provided by the flood control improvements will vary based on the size and use of the affected structures, and the relative size and location of the affected property. To reflect the fact that, because of the nature of the floodplains in Sacramento and the design of the area's flood control system, no single improvement will protect all the properties in the District, the District will be divided into several benefit zones within which the property owners will be assessed only for the cost of the improvements that directly benefit the properties within their zone. See APPENDIX A – "FINAL ENGINEER'S REPORT'.

The assessment roll is updated annually to reflect changes in the parcel characteristics that affect the calculation of assessments. In recent years, most often the change has been from vacant land to a new developed land use category and building improvements on the property. The same assessment formula is applied to the changed parcel as to existing parcels. In this way, future land use changes can be accommodated in an equitable manner relative to existing development.

Overlapping Debt

The following table presents the direct and overlapping debt within the District, as of June 1, 2007.

TABLE 4
DISTRICT DIRECT AND OVERLAPPING DEBT

2006-07 Local Secured Assessed Valuation: $38,118,484,706

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/07	
Los Rios Community College District	26.095%	$41,155,729	
Folsom-Cordova Unified School District SFID No. 1	7.912	3,963,600	
Folsom-Cordova Unified School District SFID No. 2	0.032	14,778	
Natomas Unified School District	89.998	134,916,981	
Sacramento Unified School District	85.367	279,235,457	
San Juan Unified School District	13.258	30,250,816	
Grant Joint Union High School District	43.016	32,094,545	
Elverta Joint School District	20.572	246,634	
North Sacramento School District	73.922	18,384,401	
Rio Linda Union School District	20.410	13,455,250	
Robla School District	60.451	11,153,891	
City of Folsom	0.032	8,150	
Southgate Recreation and Park District Benefit Assessment District	23.615	687,197	
Community Facilities Districts (Estimate)	Various	201,518,027	
1915 Act Special Assessment Bonds (Estimate)	Various	25,606,960	
Sacramento Area Flood Control Agency Maintenance and Operations Assessment District	57.975	2,574,090	
Sacramento Area Flood Control Agency Capital Assessment District No. 2[1]	100.	33,920,000	
Sacramento Area Flood Control Agency Consolidated Capital Assessment District	**100.**	-	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$829,186,506	

OVERLAPPING GENERAL FUND DEBT:	% Applicable (2)	Debt 6/1/07	
Sacramento County General Fund Obligations	30.563%	$111,167,687	
Sacramento County Pension Obligations	30.563	288,809,369	
Sacramento County Office of Education Certificates of Participation	30.563	3,747,024	
Los Rios Community College District Certificates of Participation	25.812	1,821,037	
Folsom-Cordova Unified School District Certificates of Participation	3.356	1,451,470	
Natomas Unified School District Certificates of Participation	89.998	74,986,334	
Sacramento Unified School District	85.367	77,146,158	
Sacramento Unified School District Pension Obligations	85.367	4,076,274	
San Juan Unified School District	13.391	1,006,334	
Grant Joint Union High School District Certificates of Participation	43.016	57,402,701	
City of Folsom	0.034	5,855	
City of Sacramento General Fund Obligations	93.333	760,708,052	
Recreation and Park Districts Certificates of Participation	1.369 – 23.615	534,970	
Sacramento Metropolitan Fire District Pension Obligations	8.398	5,729,030	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$1,388,592,295	
Less: Sacramento County self-supporting bonds		2,380,858	
City of Sacramento self-supporting bonds		480,578,248	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$ 905,633,189	
GROSS COMBINED TOTAL DEBT		$2,217,778,801	(3)
NET COMBINED TOTAL DEBT		$1,734,819,695	

(1) Excludes issue to be sold.
(2) Based on redevelopment adjusted all property assessed valuation of $35,428,475,254.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2006-07 Local Secured Assessed Valuation:

Direct Debt .... - %
Total Direct and Overlapping Tax and Assessment Debt 2.18%
Gross Combined Total Debt 5.82%
Net Combined Total Debt 4.55%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: $0

KD:($600)

Source: California Municipal Statistics

[1] As described herein, in connection with the formation of the District, District No. 2 was dissolved, and a portion of the proceeds of the Series 2007 Bonds will be used to refund the Series 2005 Bonds.

Projected Debt Service Coverage

The following table shows projected debt service coverage for the Fiscal Years 2007-08 to 2015-16, using the methodology specified in the Resolution. The information in the table is based on a variety of assumptions (including assumptions relating to growth in assessment revenue and interest rates with respect to Bonds) which the Agency believes to be reasonable. In the event that actual conditions vary significantly from those assumed by the Agency, there can be no assurances that actual debt service coverage will not materially differ from the projections set forth in the table.

TABLE 5
PROJECTED DEBT SERVICE COVERAGE

Fiscal Year ending June 30	2008	2009	2010	2011	2012	2013	2014	2015	2016
Privately Owned Assessable Land Assessment Revenue(1)	$16,150,000	$16,330,000	$16,510,000	$16,690,000	$16,870,000	$17,050,000	$17,230,000	$17,410,000	$17,590,000
Governmentally-Owned Assessable Land Assessment Revenue(1)	1,950,000	1,970,000	1,990,000	2,010,000	2,030,000	2,050,000	2,070,000	2,090,000	2,110,000
Total Assessment Revenue	$18,100,000	$18,300,000	$18,500,000	$18,700,000	$18,900,000	$19,100,000	$19,300,000	$19,500,000	$19,700,000
2007 Bonds Debt Service(2)	$3,286,415	$5,532,366	$5,593,595	$5,588,375	$5,586,175	$5,588,075	$5,587,375	$5,588,975	$5,588,450
2008 Bonds Debt Service(2)	-	1,740,875	4,549,375	4,548,250	4,549,250	4,547,250	4,547,125	4,548,625	4,546,625
2011 Bonds Debt Service(2)	-	-	-	-	1,071,656	2,878,494	2,877,806	2,879,888	2,879,606
2014 Bonds Debt Service(2)	-	-	-	-	-	-	-	1,161,431	2,975,275
Total Debt Service	$3,286,415	$7,273,241	$10,142,970	$10,136,625	$11,207,081	$13,013,819	$13,012,306	$14,178,919	$15,989,956
Debt Service Coverage from Privately Owned Assessable Land Assessment Revenue	4.91	2.25	1.63	1.65	1.51	1.31	1.32	1.23	1.10
Debt Service Coverage from all Assessment Revenue, including Assessment Revenue from Governmentally-Owned Assessable Land	5.51	2.52	1.82	1.84	1.69	1.47	1.48	1.38	1.23

(1) Assumes growth in Assessment revenue of approximately 1.05% annually.
(2) Projected, assuming actual interest rates for the Series 2007 Bonds; and interest rates of 5.0% for additional Bonds in 2008; and 5.25% for additional Bonds in 2011 and 2014. Assumes the following projected approximate principal amounts for additional Bonds: $70 million in 2008, $41 million in 2011, and $44 million in 2014.

Source: Sacramento Area Flood Control Agency

CERTAIN RISK FACTORS

Collection and Payment

In order to pay debt service on the Series 2007 Bonds, it is necessary that the Consolidated Capital Assessments on the assessable property within the District are paid in a timely manner. Should the installments not be paid on time, the Agency has established a Reserve Account as described under the caption "SECURITY FOR THE SERIES 2007 BONDS – Flow of Funds–Reserve Account" herein. The Agency is not obligated to use amounts on deposit in the Consolidated Capital Assessment District Capital Outlay, Operation and Maintenance Fund or other available surplus funds of the Agency to pay such delinquent installments.

Under the provisions of the Act, Consolidated Capital Assessments are billed to properties on the regular property tax bills sent to owners of such properties. Such Consolidated Capital Assessments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Assessment payments cannot be made separate from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and assessment payments in the future.

Failure by the owners of the parcels within the District, to pay the Consolidated Capital Assessments when due, depletion of the Reserve Account, or the inability of the Agency to sell property which has been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Consolidated Capital Assessments levied against such property may result in the inability of the Agency to make full or punctual payments of debt service on the Series 2007 Bonds and Holders would therefore be adversely affected.

Unpaid Consolidated Capital Assessments do not constitute a personal indebtedness of the owners of the parcels within the District securing the Series 2007 Bonds or subsequent owners of these parcels. There is no assurance such owners will be able to pay the Consolidated Capital Assessment installments or that they will pay such installments even though they may be financially able to do so.

Limitations on the Ability of the Agency to Collect Assessments Imposed with Respect to Governmentally-Owned Assessable Land

Proposition 218, discussed below, for the first time required the assessment of governmentally-owned property that benefits from the improvements. The law thus appears to require governmental agencies to pay the annual Consolidated Capital Assessments. Under State law, the Agency generally may not foreclose on properties owned by governmental entities in order to collect delinquent Consolidated Capital Assessments. Currently, approximately 11% of the total amount of Consolidated Capital Assessments are payable by governmental entities. Judicial enforcement of delinquent assessments owed by governmental agencies has not been tested in the courts, nor enforcement of any money-judgment that might be obtained against any governmental entity through the judicial process. No assurance can be given that effective and timely enforcement of delinquent Consolidated Capital Assessments against governmental agencies can be achieved, particularly against the Federal Government. Although assessments levied on private property, if collected, are more than sufficient to pay debt service with respect to the Series 2007 Bonds, revenue from Governmentally-Owned Assessable Land is available for that purpose, and thus, in the event that collections from private property owners are insufficient, the inability or unwillingness of governmental entities to pay Consolidated Capital Assessments could adversely affect the ability of the District to pay debt service with respect to the Series 2007 Bonds.

Reduction in Consolidated Capital Assessments

In addition, under the assessment methodology utilized for the Consolidated Capital Assessments, the amount of the Consolidated Capital Assessment, levied on a parcel in each year is a function of the imputed benefit derived by such property and the rate established by the Board is not based directly on apportionment of debt service on the Series 2007 Bonds. Accordingly, a reduction in benefit derived by a parcel (such as through change in land use classification of a parcel or the size or existence of improvements on a parcel) could reduce the Consolidated Capital Assessment, levied on such parcel. For example, to the extent improvements on a property are partially or totally destroyed for any reason and not rebuilt the land use classification of the property could be reclassified by the County Assessor and subject to a substantially reduced Consolidated Capital Assessment. Also, the use of a parcel of property may change and therefore could result in a different classification under the methodology utilized for Consolidated Capital Assessments. See “SECURITY FOR THE SERIES 2007 BONDS –Consolidated Capital Assessments” herein.

Flood, Earthquake and Other Natural Disasters

The occurrence of an earthquake, flood or other natural disaster which resulted in significant damage to property within the District could materially adversely affect the ability of the Agency to collect Consolidated Capital Assessments within the District at the levels required to pay debt service on the Series 2007 Bonds in a timely manner. Sacramento is located in a Zone 3 earthquake zone, which is of significantly less risk than Zone 4 which encompasses most of California, including Southern California and the entire coastal plane.

In parts of the District, flooding caused by river overflow or heavy rainfall could possibly cause significant damage to property located in the District. Normally, water is contained within the rivers, creeks, canals, and adjacent levee systems. During the severe winter storms in the Sacramento area in 1986 and again in 1997 the American and Sacramento levee systems carried a record volume of water due to heavy rainfall of long duration. Although these storms caused some flooding in certain areas, the major levee systems that protect properties in the Sacramento area from disaster withstood the record water flows. However, the Army Corps of Engineers recently determined that certain levees along the Sacramento River are structurally deficient and do not meet current federal standards for 100-year flood protection. The Federal Emergency Management Agency notified Sacramento County and City of Sacramento officials of the need to update the Flood Insurance Rate Maps within the Natomas Basin (which includes approximately 20% of the total number of parcels in the District) through the Physical Map Revision process, reflecting the fact that the area does not have 100-year flood protection.

While the Agency believes that the 2007 Project, and other flood control measures described in the Final Engineer’s Report will ultimately provide 100-year flood protection for properties within the District, the projects identified in the Final Engineer’s Report as providing 100-year flood protection could be delayed for a variety of reasons, including but not limited to longer than expected construction periods, higher than expected construction bids, or delays in state or federal funding. In the event that significant flooding occurs prior to the completion of such projects (or the projects once completed do not provide the expected levels of flood protection) there can be no assurances that such circumstances would not result in significant damages to properties within the District and corresponding reductions to the value thereof. In addition, federal standards for 100-year flood protection are currently being revised, and therefore there can be no assurances that implementation of the projects identified in the Final Engineer’s Report will result in 100-year flood protection.

Covenant to Levy Consolidated Capital Assessments Not a Guarantee

The ability of the Agency to pay the debt service on the Series 2007 Bonds depends on the ability of the Agency to collect Consolidated Capital Assessments in the levels required by the Resolution. Although, as more particularly described herein, the Agency expects that sufficient Consolidated Capital Assessments will be collected, there is no assurance that the imposition of Consolidated Capital Assessments will result in the collection of Consolidated Capital Assessments in the amounts required by the Resolution. As a result, the Agency’s covenant does not constitute a guarantee that sufficient Consolidated Capital Assessments will be available to make debt service payments on the Series 2007 Bonds.

Unavailability of Agency Funds

If a shortage exists in the Redemption Account, the Treasurer has the duty to transfer the amount of such shortage from the Reserve Account into the Redemption Account. If there are additional shortages after exhaustion of the Reserve Account, the Agency has no direct or contingent liability for payment of the Series 2007 Bonds in the event of default in the payment of the Consolidated Capital Assessments, but does have the duty to undertake judicial foreclosure and other proceedings as covenanted in the Resolution.

Additional Debt

The Agency may levy other assessments and incur indebtedness payable from the Consolidated Capital Assessments on a parity with the Series 2007 Bonds and has no control over the amount of additional debt payable from taxes or assessments on all or a portion of the property within the District that may be issued in the future by other governmental entities or districts, including but not limited to school districts or any other district having jurisdiction over all or a portion of the land within the District. Nothing prevents the owners of land within any of the Agency's assessment districts from consenting to the issuance of additional debt by other public agencies which would be secured by taxes, including special taxes, with a priority to the Consolidated Capital Assessments for the Series 2007 Bonds. To the extent such indebtedness is payable from special taxes or taxes, such special taxes and taxes will have a lien on the property within the District on a parity with the lien of the Consolidated Capital Assessments for the Series 2007 Bonds. See "SECURITY FOR THE SERIES 2007 BONDS – Additional Bonds" herein.

Accordingly, the debt on the property within the District could greatly increase, without any corresponding increase in the value of the property. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owners within the District, to pay Consolidated Capital Assessments when due. The Agency has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within any of the Agency's assessment districts. See Table 5 for listings of other assessment districts overlapping District.

Accordingly, the amount of the additional assessments that may be levied in the future against property in the District cannot be determined at this time.

Bankruptcy and Foreclosure

The payment of property owners' Consolidated Capital Assessments and the ability of the Agency to foreclose the lien of delinquent unpaid Consolidated Capital Assessments pursuant to the foreclosure covenant may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY FOR THE SERIES 2007 BONDS – Covenant to Foreclose" herein.

The various legal opinions to be delivered concurrently with the delivery of the Series 2007 Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Consolidated Capital Assessments to become extinguished, bankruptcy of a property owner could result in a delay in procuring Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Series 2007 Bonds and the possibility of delinquent tax installments not being paid in full.

Limitations on the Ability of the Agency to Impose Assessments

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. The voters have exercised this power through the adoption of Proposition 13 and similar measures. Proposition 218 was approved by the voters in the general election held on November 5, 1996. Proposition 218 and similar initiatives may affect the collection of fees, taxes and other types of revenue by local agencies such as the Agency. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Series 2007 Bonds.

Proposition 218-Voter Approval for Local Government Taxes-Limitation on Fees, Assessments, and Charges-Initiative Constitutional Amendment, added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including assessment districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident or property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIIIA of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to the California Constitution, and (iii) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 adds property owner approval requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subject to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such new provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also provides that the constitutional initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local taxes, assessments, fees and charges. This provision with respect to the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts.

The Agency has complied with the provisions of Proposition 218 in connection with the establishment of the Consolidated Capital Assessments. However, any increases in the Consolidated Capital Assessments would be subject to voter approval pursuant to Proposition 218. Nonetheless, other than any impact resulting from the exercise of this initiative power, presently the Agency does not believe that the potential financial impact on the financial condition of the Agency as a result of the provisions of Proposition 218 will adversely affect the Agency's ability to pay the principal of and interest with respect to the Series 2007 Bonds as and when due.

Possible Recognition of Taxable Gain or Loss upon Defeasance of the Series 2007B Bonds

Defeasance of any Series 2007B Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2007B Bond.

LEGAL MATTERS

The validity of the Series 2007 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency ("Bond Counsel"). A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix F. Certain legal matters will be passed on for Banc of America Securities LLC by Stradling Yocca Carlson & Rauth, a Professional Corporation, and for the Agency by Timothy Washburn, Esq., Agency Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

TAX MATTERS

Series 2007A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2007A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the Series 2007A Bonds is less than the amount to be paid at maturity of such Series 2007A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2007A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2007A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2007A Bonds is the first price at which a substantial amount of such maturity of the Series 2007A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2007A Bonds accrues daily over the term to maturity of such Series 2007A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2007A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2007A Bonds. Beneficial owners of the Series 2007A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2007A Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2007A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2007A Bonds is sold to the public.

Series 2007A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received and a beneficial owner's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2007A Bonds. The Agency has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2007A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2007A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2007A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2007A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2007A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of or the accrual or receipt of interest on the Series 2007A Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code, or court decisions, may cause interest on the Series 2007A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislation or clarification of the Code or court decision may also affect the market price for or marketability of the Series 2007A Bonds. Prospective purchasers of the Series 2007A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2007A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Agency, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Agency has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2007A Bonds ends with the issuance of the Series 2007A Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Agency or the beneficial owners regarding the tax-exempt status of the Series 2007A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Agency and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Agency legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2007A Bonds for audit or the course or result of such audit or an audit of bonds presenting similar tax issues, may affect the market price for or the marketability of the Series 2007A Bonds and may cause the Agency or the beneficial owners to incur significant expense.

Series 2007B Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency, interest on the Series 2007B Bonds is exempt from State of California personal income taxes and is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any federal or other state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007B Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix F hereto.

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Series 2007B Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury Regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2007B Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, it generally is addressed only to original purchasers of the Series 2007B Bonds that are "U.S. holders" (as defined below), deals only with Series 2007B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold Series 2007B Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of Series 2007B Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Series 2007B Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Series 2007B Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

Tax Status of the Series 2007B Bonds. The Series 2007B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Holders of the Series 2007B Bonds that allocate a basis in the Series 2007B Bonds that is greater than the principal amount of the Series 2007B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under section 171 of the Code.

If a holder purchases the Series 2007B Bonds for an amount that is less than the principal amount of the Series 2007B Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2007B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Although the Series 2007B Bonds are expected to trade "flat," that is, without a specific allocation to accrued interest, for federal income tax purposes, a portion of the amount realized on sale attributed to the Series 2007B Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

Original Issue Discount. The Series 2007B Bonds may be issued with original issue discount ("OID"). Accordingly, a holder of a Series 2007B Bond would be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Series 2007B Bond. Thus, the holders of such Series 2007B Bonds would be required to include OID in income as it accrues, prior to the receipt of cash attributable to such income. U.S. holders, however, would be entitled to claim a loss upon maturity or other disposition of such Series 2007B Bonds with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss. A holder of a Series 2007B Bond that purchases a Series 2007B Bond for less than its adjusted issue price (generally its accreted value) will have purchased such Series 2007B Bond with market discount. If such difference is not considered to be de minimis, then such discount ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2007B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year will be deferred. A holder of a Series 2007B Bond that has an allocated basis in the Series 2007B Bond that is greater than its adjusted issue price (generally its accreted value), but that is less than or equal to its principal amount, will be considered to have purchased the Series 2007B Bond with acquisition premium. The amount of OID that such holder of a Series 2007B Bond must include in gross income with respect to such Series 2007B Bonds will be reduced in proportion that such excess bears to the OID remaining to be accrued as of the acquisition of the Series 2007B Bond. A holder of a Series 2007B Bond may have a basis in its pro rata share of the Series 2007B Bonds that is greater than the principal amount of such Series 2007B Bonds. Holders of Series 2007B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium, if any, with respect to such Series 2007B Bonds under section 171 of the Code.

Sale and Exchange of Series 2007B Bonds. Upon a sale or exchange of a Series 2007B Bond, a holder generally will recognize gain or loss on the Series 2007B Bonds equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series 2007B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Series 2007B Bond not yet taken into income will be ordinary). The adjusted basis of the holder in a Series 2007B Bond will (in general) equal its original purchase price increased by any OID (other than OID reduced due to acquisition premium) and decreased by any principal payments received on the Series 2007B Bond. In general, if the Series 2007B Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

See also, "CERTAIN RISK FACTORS – Possible Recognition of Taxable Gain or Loss upon Defeasance of the Series 2007B Bonds" herein regarding reissuance of the Series 2007B Bonds upon defeasance.

Foreign Investors. Distributions on the Series 2007B Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2007B Bond generally will be made free of withholding tax, as long as that the holder has complied with certain tax identification and certification requirements.

Circular 230. Investors are urged to obtain independent tax advice based upon their particular circumstances. The tax discussion above was not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. The advice was written to support the promotion or marketing of the Series 2007B Bonds.

NO LITIGATION

There is no action, suit, or proceeding pending, or to the best knowledge of the Agency, threatened at the present time restraining or enjoining the delivery of the Series 2007 Bonds or in any way contesting or affecting the validity of the Series 2007 Bonds or any proceedings of the Agency taken with respect to the execution or delivery thereof.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2007 Bonds, Causey, Demgen & Moore Inc., independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to (i) the adequacy of the amounts deposited pursuant to the Escrow Agreement to pay the principal of, and interest on, the Series 2005 Bonds on their respective payment and redemption dates, and (ii) the computation of yield on the Series 2007 Bonds and escrow securities to be acquired under the Escrow Agreement in connection with the refunding of the Series 2005 Bonds.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Agency in connection with the issuance of the Series 2007 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2007 Bonds is contingent upon the issuance and delivery of the Series 2007 Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2007 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

RATINGS

Standard & Poor's Ratings Group and Moody's Investors Service, Inc. have rated the Series 2007 Bonds "AAA" and "Aaa", respectively, and with the understanding that concurrently with the issuance of the Series 2007 Bonds, the Insurance Policy guaranteeing the payment of principal of and interest on the Series 2007 Bonds will be issued by the Insurer. In addition, Standard & Poor's Ratings Group and Moody's Investors Service, Inc. have assigned underlying ratings of "AA-" and "A1", respectively, to the Series 2007 Bonds. Certain information was supplied by the Agency to such rating agencies to be considered in evaluating the Series 2007 Bonds. The ratings reflect only the views of the rating agencies and any explanation of the significance of such ratings and any ratings on any of the Agency's outstanding obligations may be obtained only from such rating agencies as follows: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10017, and Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any of them, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the Series 2007 Bonds.

INDEPENDENT AUDITOR

The audited financial statements of the Agency for the Fiscal Year ended June 30, 2006, included in Appendix B to this Official Statement, have been examined by Macias Gini & O'Connell LLP, independent certified public accountants, to the extent and for the periods indicated in its report, which also appears in Appendix B hereto. Macias Gini & O'Connell LLP has not consented to the inclusion of its report as Appendix B hereto and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias Gini & O'Connell LLP with respect to any event subsequent to its report dated December 21, 2006.

The audited financial statements of the Agency have been prepared on the basis of generally accepted accounting principles, and reflect a variety of revenues, funds and accounts. As described herein, the Series 2007 Bonds are payable solely from the Consolidated Capital Assessments. Since the Consolidated Capital Assessments have not yet been levied, the audited financial statements of the Agency attached hereto do not reflect collection of the Consolidated Capital Assessments. The Series 2007 Bonds are not general obligations of the Agency.

UNDERWRITING

Pursuant to the terms of a Bond Purchase Agreement, dated June 13, 2007, the Underwriters have agreed to purchase the Series 2007 Bonds from the Agency at the aggregate purchase price of $89,041,049.59 (which is equal to the aggregate principal amount of the Series 2007 Bonds plus a net original issue premium of $2,429,795.25 and less Underwriters' discount of $518,745.66). The Series 2007 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices of the Series 2007 Bonds, and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the Series 2007 Bonds into unit investment trusts or money market funds, certain of which may be managed or sponsored by the Underwriters, at prices lower than the public offering prices of the Series 2007 Bonds.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of Holders and beneficial owners of the Series 2007 Bonds to provide certain financial information and operating data relating to the Agency by not later than 210 days following the end of the Agency's fiscal year (which fiscal year presently ends on June 30) (the "Annual Report"), commencing with the Annual Report for the 2006-07 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with each Nationally Recognized Municipal Securities Information Repositories. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). In each year since 2003, the Agency filed its required Annual Reports later than the time required in its undertakings. Upon discovery of the consistent late filings in connection with the issuance of the Series 2007 Bonds, the Agency is developing internal procedures designed to assure timely compliance with its future continuing disclosure requirements.

The obligation of the Agency under the Continuing Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Series 2007 Bonds. The provisions of the Continuing Disclosure Certificate are intended to be for the benefit of the Holders of the Series 2007 Bonds and beneficial owners of the Series 2007 Bonds and in order to assist the Underwriters in complying with the Rule and shall be enforceable by any Holder or beneficial owners of the Series 2007 Bonds, provided that any enforcement action by any such person shall be limited to a right to obtain specific enforcement of the Agency's obligations under the Continuing Disclosure Certificate and any failure by the Agency to comply with the provisions thereof shall not be an event of default under the Resolution.

ADDITIONAL INFORMATION

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Series 2007 Bonds.

Copies of this Official Statement in reasonable quantity and other documents referred to herein may be obtained from the offices of the Agency.

SACRAMENTO AREA FLOOD
CONTROL AGENCY

By: /s/ Stein Buer
Executive Director

APPENDIX A

FINAL ENGINEER'S REPORT

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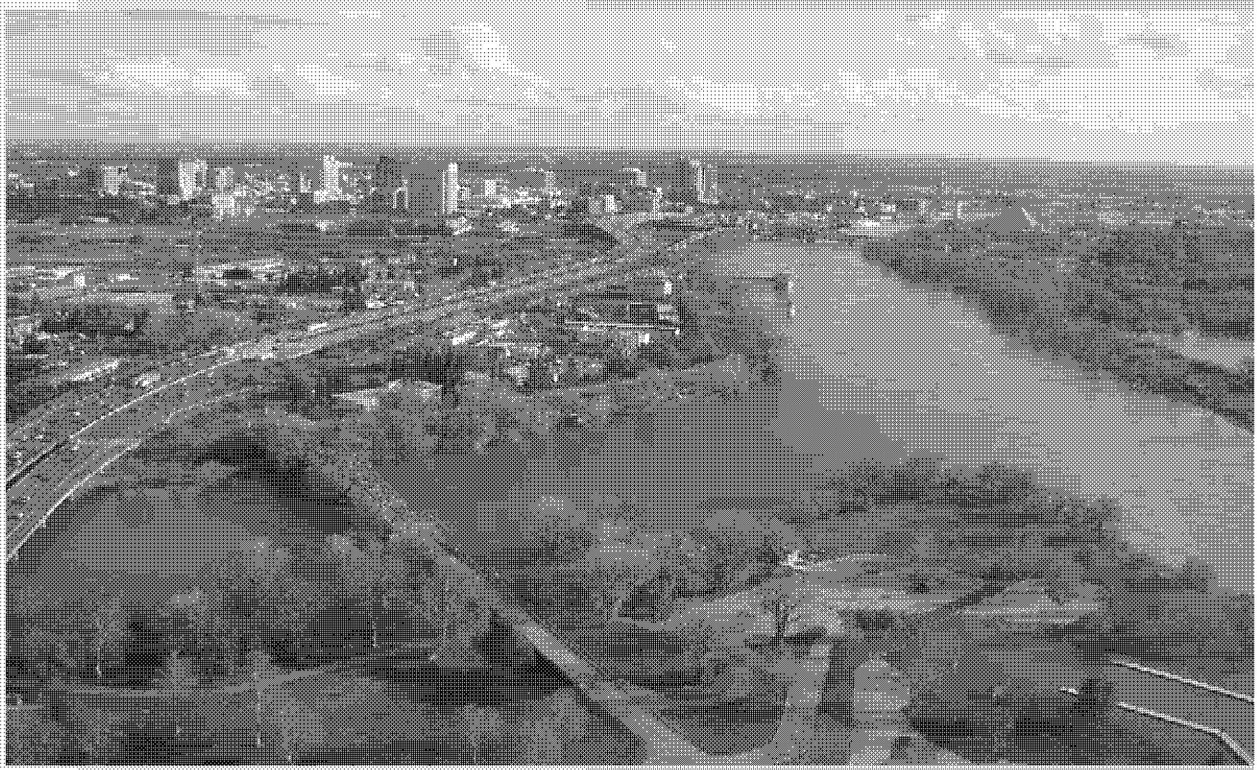
FINAL ENGINEER'S REPORT

SACRAMENTO AREA FLOOD CONTROL AGENCY CONSOLIDATED CAPITAL ASSESSMENT DISTRICT



Prepared for:
Sacramento Area Flood Control Agency

Prepared by:
PB

April 19, 2007

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1.0 INTRODUCTION

1.1 BACKGROUND

The Sacramento Area Flood Control Agency (SAFCA) was created in 1989 through a Joint Exercise of Powers Agreement by the City of Sacramento, the County of Sacramento, the County of Sutter, the American River Flood Control District (ARFCD), and Reclamation District 1000 (RD 1000) to reduce the Sacramento area's vulnerability to catastrophic flooding. In 1990, the California Legislature enacted the Sacramento Area Flood Control Agency Act giving SAFCA broad authority to finance flood control projects and directing SAFCA to carry out its flood control responsibilities in ways that provide optimum protection to the natural environment and public recreation.

SAFCA's flood risk reduction program focuses on the major floodplains in the Sacramento area along the lower American and Sacramento Rivers and their tributaries. The goals of this program are to:

- Provide at least a 100-year level of flood protection as quickly as possible.
- Work toward achieving urban-standard ("200-year") flood protection over time.
- Ensure the structural integrity of the levee system.

Over the past eighteen years, SAFCA has pursued these goals on a step-by-step basis in coordination with the U.S. Army Corps of Engineers (USACE), the U.S. Department of the Interior, Bureau of Reclamation (Reclamation), the California Reclamation Board (The Reclamation Board), and the California Department of Water Resources (DWR). This coordinated effort has produced a combination of levee improvements and modifications to the flood control operation at Folsom Dam that has made it possible to achieve the 100-year flood protection objective for most of the properties in the area's major floodplains.

However, because of recent changes in federal levee design criteria, a substantial number of parcels in the Natomas basin that were thought to have achieved 100-year flood protection nearly a decade ago are likely to be mapped back into the federally regulated 100-year floodplain in 2007. In addition, a small number of parcels remain in the federally regulated 100-year floodplain along the American River upstream of the Mayhew Drain, and along Morrison Creek and its tributaries in south Sacramento. SAFCA's objective is to provide at least a 100-year level of flood protection to these areas over the next three to five years while working to provide a "200-year" level of flood protection to all of Sacramento's major floodplains within the next decade.

1.2 PURPOSE OF ENGINEER'S REPORT

The purpose of this Engineer's Report is to support the creation of a new special benefit assessment district to provide the local share of the cost of constructing and maintaining the improvements that, based on current engineering and information, are needed to achieve SAFCA's 100-year and "200-year" flood protection goals. This new special benefit assessment district, which would be known as the Consolidated Capital Assessment District (the "Consolidated District"), would replace SAFCA's two existing capital assessment districts: North Area Local Project Capital Assessment District No. 2 and American River/South

Sacramento Streams Group Capital Assessment District No. 3. The Consolidated District would cover the properties located in these two existing districts and in the "200-year" floodplain area covered by SAFCA's Operations and Maintenance Assessment District No.1.

This Engineer's Report proposes a financial structure for the Consolidated District. Section 2 of the report identifies the improvements that would be funded; Section 3 provides an estimate of the total cost of these improvements and the share of this cost that is allocable to SAFCA; Section 4 describes a financing plan for providing this cost share; and Section 5 describes the assessment methodology, including the boundaries of the Consolidated District, the flood damage reduction benefits and project special benefit zones that are used to proportionally spread the assessments among the properties in the Consolidated District, the assessment equations that guide this spread, and sample calculations.

A Revised Assessment Roll (Appendix E) has been prepared that identifies the proposed initial annual assessments for each individual parcel within the Consolidated District.

2.0 DESCRIPTION OF FUNDED PROJECTS AND ACTIVITIES

2.1 GENERAL

The Consolidated District would provide the local share of the cost of completing the projects necessary to provide 100-year flood protection for developed areas in Sacramento's major floodplains as quickly as possible and "200-year" urban standard flood protection for these areas over time, based on current information and engineering. These projects are described below. The descriptions are intended to be general enough to authorize any necessary or appropriate additional elements that may be required to accomplish the flood control objectives of the projects. Detailed descriptions of the proposed projects are provided in Section 3.4 of the Draft Environmental Impact Report on Local Funding Mechanisms for Comprehensive Flood Control Improvements for the Sacramento Area, as amended by the Final Environmental Impact Report Responses to Comments and Revisions to the Draft EIR (State Clearinghouse No. 2006072098) (together, the "EIR"). The Consolidated District would also provide funding for the local share of several environmental enhancement projects that are linked to these flood control projects, for operating and maintaining the completed projects, and for refinancing the outstanding principal balance of bonds issued in connection with the North Area Local Project (or NALP). These funded projects and activities are also briefly described below.

2.2 FOLSOM DAM MODIFICATIONS PROJECT

The Folsom Dam Modifications Project consists of physical and operational modifications to Folsom Dam and Reservoir that would improve the efficiency and effectiveness of the dam's flood control operations. When combined with improvements to the downstream levee system, these modifications would enable the flood control system to safely contain a "200-year" flood along the lower American and Sacramento Rivers.

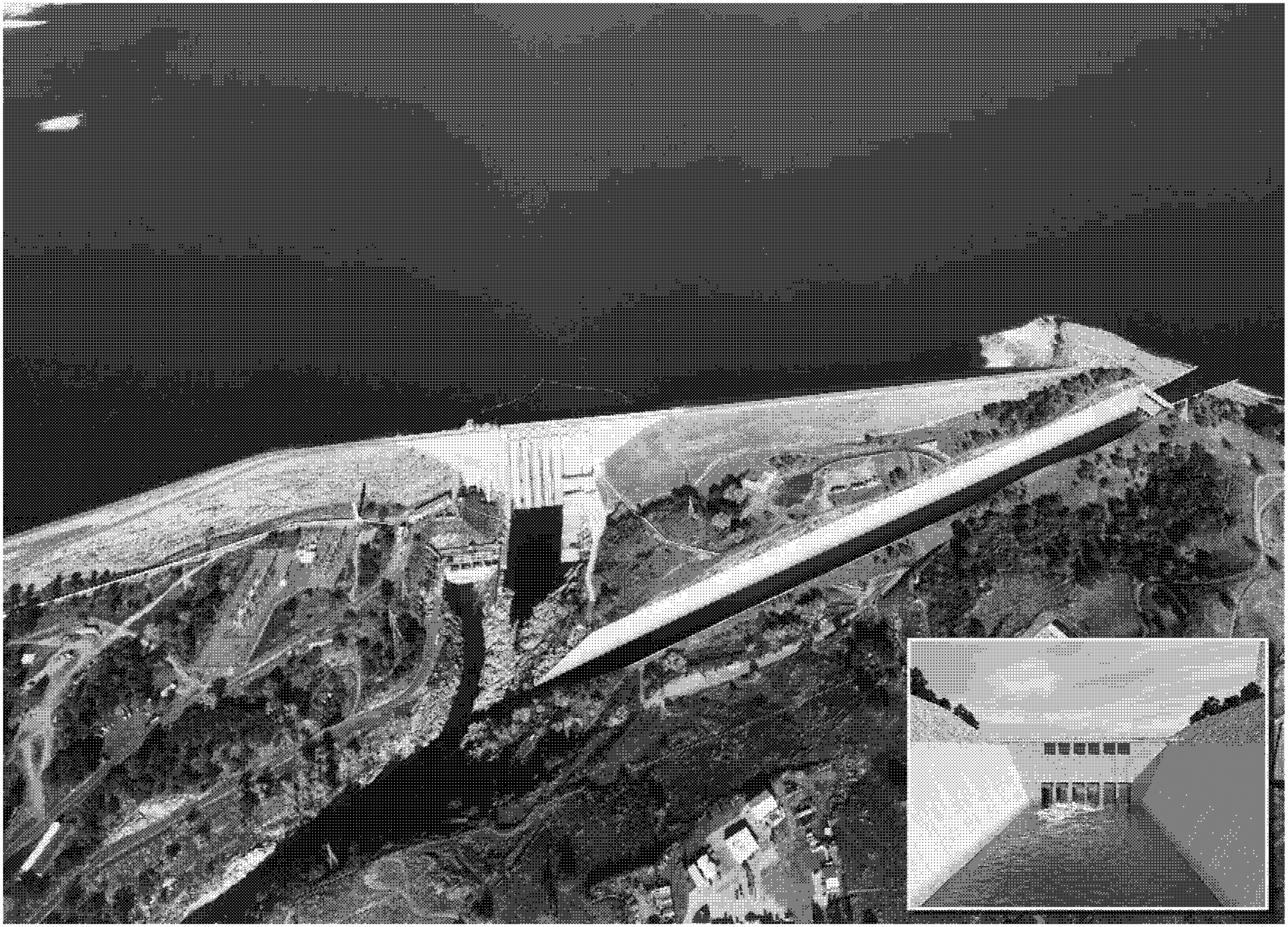
The physical modifications to Folsom Dam that would be funded by the Consolidated District include:

- constructing a new gated auxiliary spillway
- replacing or modifying the existing three emergency spillway gates
- constructing a 3.5-foot concrete parapet wall along the top of the dam's earthen dikes and wing dams

The auxiliary spillway would be constructed on a natural ridge in the area east of the concrete dam (see Figure 2-1) at an elevation that would substantially increase the dam's low-level discharge capacity. This new facility would include a concrete-lined approach channel and discharge chute in the left abutment below the left wing dam leading down to Folsom Dam's existing stilling basin, which would be enlarged to handle the increased discharges through the spillway. These discharges would be controlled through the installation of six submerged tainter gates (23 feet wide by 33 feet high) that would be operated conjunctively during flood events with Folsom Dam's five existing main spillway gates.

Construction of a 3.5-foot concrete parapet wall along the top of Folsom's earthen dikes and wing dams would allow dam operators to add approximately 50,000 acre-feet of additional surcharge storage capacity to the flood control operation. Modification or replacement of Folsom Dam's three existing emergency spillway gates would allow this space to be used

FIGURE 2-1: FOLSOM DAM AUXILIARY SPILLWAY



without overtopping and possibly damaging these gates or causing them to fail.

These physical improvements would allow the federal government to continue the current variable storage space operation at Folsom Dam, also known as "Folsom Reoperation", but with a reduced demand for empty flood control space. This operation accounts for the flood control storage space available behind the three largest non-Federal dams in the American River watershed upstream of Folsom Dam. These higher dams capture the run-off produced by spring snow melt along the western face of the Sierras in order to generate hydropower to meet summer and fall energy demands. This seasonally driven operation allows reservoir storage space to be available for flood control during the winter. Under the variable storage space plan, Folsom Dam operators adjust the reservoir capacity allocated to flood control based on the availability of this upstream storage space. By increasing the efficiency of the flood control operation, the new auxiliary spillway would reduce the maximum amount of reservoir capacity that would be needed for flood control at Folsom Dam by about 10 percent.

Moreover, the physical improvements to Folsom Dam could allow dam operators to further refine the variable storage operation by using forecasts of inflow into the reservoir to make decisions on when and how much water to release from the reservoir for flood control. The objective of this forecast-based operation is to increase the empty space in the reservoir when it is immediately needed to enhance the reservoir's flood control capacity, and to reduce this empty space when it is not immediately needed for flood control so as to better balance the water, power, recreational, and environmental needs that are served by the reservoir.

2.3 FOLSOM BRIDGE CONSTRUCTION

The Folsom Bridge Project would involve constructing a permanent bridge and roadway across the American River downstream of Folsom Dam. This bridge would replace public use of the roadway across Folsom Dam, which was designed and built to service the dam. The Folsom Bridge Project was authorized by Congress because of the long-term disruption to traffic that would result from the prolonged construction associated with dam modifications. Despite the subsequent closure of Folsom Dam Road for security and public safety reasons, the bridge remains an integral part of the Folsom Dam modification effort, with flood control contributing about one-third of the total cost of the project. The new bridge is planned for construction just below the dam between the intersections of Folsom Dam Road with East Natoma Street on the east and Folsom-Auburn Road on the west.

2.4 AMERICAN RIVER LEVEE IMPROVEMENTS

Although work to improve the levees along the lower American River has been ongoing for nearly a decade, additional improvements are needed to ensure that these levees can safely contain the sustained high velocity releases from Folsom Dam that will become a part of the "200-year" flood protection plan for the American River when the improvements to the dam's outlet works are completed. Accordingly, the Consolidated District would be used to fund the following improvements along the lower American River levee system:

- raising approximately 12,500 feet of the north levee of the American River from Watt Avenue to the Cal Expo area west of H Street approximately 1 foot to ensure that there is three feet of freeboard above the 160,000-cfs flow;

- reconstructing 4,300 feet of the non-federal levee along the south bank of the American River upstream of the Mayhew Drain;
- constructing a closure structure with flap gates across the Mayhew Drain to prevent backup of floodwater on Folsom Boulevard during high-flow events in the American River and installing cutoff walls in the east and west levees of the Mayhew Drain to prevent underseepage;
- constructing approximately 2 miles of cutoff walls along the north levee of the American River and installing cutoff wall closure structures at several roadway and utility crossings along the north and south levees of the American River to control underseepage; and
- armoring portions of the north and south levees of the American River and their adjacent banks to address the potential for erosion during sustained high-flow events.

2.5 SACRAMENTO RIVER LEVEE IMPROVEMENTS

The east levee of the Sacramento River downstream of the mouth of the American River has been the focus of a substantial erosion control and seepage remediation effort over the past three years. This effort strengthened this levee to withstand a 100-year flood event in the Sacramento River watershed. However, it is likely that additional work will be needed to provide safe containment of a "200-year" flood once a thorough evaluation of the levee is completed. This work could include:

- raising portions of the levee in the Pocket area and in the vicinity of the town of Freeport to provide adequate freeboard above the "200-year" design water surface; and
- constructing a combination of cutoff walls and relief wells in the vicinity of the Pocket area to control underseepage.

2.6 NATOMAS LEVEE IMPROVEMENT PROGRAM

Completion of SAFCA's North Area Local Project has substantially reduced the risk of flooding in the Natomas basin from the American River and its tributaries east of the basin. However, recently completed levee evaluations have indicated that the risk of flooding due to high flows in the Sacramento River and its tributary streams is greater than previously believed. The Natomas Levee Improvement Program would address this risk and provide the Natomas basin with a "200-year" level of flood protection by raising and strengthening the perimeter levee system around the basin. This program includes the following elements:

- freeboard increases along portions of the Sacramento River east levee and the Natomas Cross Canal (NCC) south levee, the Pleasant Grove Creek Canal (PGCC) west levee and portions of the Natomas East Main Drainage Canal (NEMDC) west levee;
- erosion treatments on the Sacramento River east levee, the NCC south levee, and possibly the PGCC and NEMDC west levee; and
- seepage remediation on the NCC south levee, the Sacramento River east levee, the American River north levee, and the PGCC and NEMDC west levee.

The proposed freeboard increases would provide a minimum of 3 feet of freeboard above the "200-year" water surface elevation in the Sacramento River, NCC, NEMDC and PGCC, except at the intersection of the PGCC and Sankey Road where the "gap" in the PGCC levee would remain to allow Sankey Road to pass through the levee at ground elevation. As part of this program, SAFCA would contribute to the cost of implementing federally authorized freeboard increases along the north levee of the NCC by purchasing borrow material for Natomas levee raising activities from Reclamation District 1001, the local sponsor of the NCC north levee improvement project. The proposed erosion treatments would involve the placement of rock revetment at several locations along the waterside slope of the levee located along the east bank of the Sacramento River. Some of this erosion control work could be avoided by setting back a portion of the east levee of the Sacramento River downstream of the mouth of the NCC. This option would require federal and/or State support to cover its added costs.

2.7 SOUTH SACRAMENTO STREAMS GROUP PROJECT

Improvements to the major levees included in the South Sacramento Streams Group (SSSG) Project have been underway for several years in order to provide increased flood protection to the southern portions of the City of Sacramento. The Consolidated District would provide funding to pursue the following uncompleted elements:

- excavating selected reaches of Morrison Creek, Elder Creek, Florin Creek, and Unionhouse Creek and constructing floodwalls to increase the channel capacity and ensure safe containment design flood flows;
- retrofitting stream passage facilities beneath several local bridge crossings to ensure efficient passage of flood flows;
- realigning portions of existing levees;
- installing box culverts at several Florin Creek crossings to increase the effective flow area and reduce the head loss; and
- providing flood insurance or flood proofing for residential structures in the Beach Lake floodplain downstream of the project.

These measures, when combined, would increase the capacity of these streams to safely contain a 100-year flood event in the SSSG watershed.

2.8 NORTH SACRAMENTO STREAMS FLOOD CONTROL IMPROVEMENTS

The North Sacramento area east of Natomas contains several urbanized floodplains that are threatened by peak flood flows in the streams that run through the area, including Dry Creek, Robla Creek, Arcade Creek, and Magpie Creek (the "North Sacramento Streams"). These streams are hydraulically connected to the lower American River through the NEMDC (Steelhead Creek), which forms the eastern boundary of the Natomas area and carries flows from these streams to the lower American River in flood conditions. While substantial improvements to the levees along these streams have been completed as part of SAFCA's North Area Local Project, recent changes in USACE levee design requirements and guidance documents warrant additional investigation of seepage and underseepage conditions affecting the improved levee system. Depending on the outcome of this investigation and analysis, design and construction of additional improvements to the Dry Creek north levee, the Dry/Robla Creek south levee, the Arcade Creek north and south levees and the Magpie Creek Diversion Channel (MCDC) west levee may be required to provide "200-year" urban-standard flood protection to the urban areas protected by these levees. These improvements could include:

- subsurface investigations and geotechnical analyses of the NEMDC east levee, Dry Creek north levee, the Dry/Robla Creek south levee, and the Arcade Creek north and south levees to evaluate their ability to ensure safe containment of design flood flows;
- retrofitting the levees and appurtenant drainage features to resist stability, through-seepage, and underseepage issues identified by the above investigations and analyses;
- rehabilitation of the MCDC west levee in the vicinity of Raley Boulevard to prevent or reduce overflow into the old Magpie Creek floodplain; and
- right-of-way acquisition to allow maintenance of the flood control facilities.

2.9 ENVIRONMENTAL ENHANCEMENTS

The Consolidated District would also provide funding for environmental enhancements along the American River Parkway and at Folsom Dam. These project components were authorized by Congress to complement the effort to increase the flood control storage capacity of the dam. They reflect SAFCA's statutory mandate to carry out the Agency's flood control responsibilities in a manner that provides optimum protection to the environment, and, based on existing State law and SAFCA's accumulated experience in implementing large scale flood control improvement programs, these environmental enhancement activities are likely to reduce the local cost of the overall improvement program and expedite its completion.

In the Parkway, the environmental enhancements would include grading and excavating soils on the floodplain and creating side channels off the main American River channel to provide hydrology supportive of wetlands and riparian habitat in the Woodlake and Bushy Lake areas on the north side of the river where nonnative vegetation would be removed and replaced with native trees and shrubs suited to riparian woodland, wetlands, and oak woodland/savannah landscapes.

At Folsom Dam the environmental enhancements would involve improving the temperature control shutters that are used to manage the temperature of water entering the dam's power-generating turbines and being discharged to the lower American River. The current manual operation of these facilities is labor intensive, time-consuming, and, therefore, less frequent than desirable for maintaining optimal temperature conditions in the river during the summer and fall seasons for protected anadromous fish while managing the size of the reservoir to be optimally responsive to potential flooding conditions on short notice. The Consolidated District would provide a share of the funding needed to redesign and mechanize the shutter system in order to increase operational efficiency of the dam and improve downstream fish habitat conditions.

2.10 SYSTEM OPERATION AND MAINTENANCE

The system operation and maintenance component of the Consolidated District would be used to fund the incremental increase in operation and maintenance costs attributable to the funded improvements and the aging of the flood control system over time. These activities would consist of regular urban levee maintenance; a variety of waterside and landside levee strengthening efforts, including bank protection, encroachment management, vegetation management, improved system access, levee monitoring and flood fight operations during a flood event; and repairs to damaged infrastructure. The new district would also fund any operation and maintenance responsibilities imposed on SAFCA in connection with the Folsom Dam Modification Project.

2.11 NALP DEBT SERVICE

The Consolidated District would provide funding to refinance the outstanding principal balance of bonds issued in connection with the North Area Local Project that were used to finance a portion of the cost of raising and strengthening the levees along the southeastern perimeter of the Natomas basin and the major creeks and streams in the North Sacramento area east of the basin.

3.0 ESTIMATED COST OF FUNDED PROJECTS AND ACTIVITIES

3.1 GENERAL

This section discusses the estimated cost of the projects and activities that would be funded by the Consolidated District and the assumptions underlying SAFCA's determination of the local share of this cost. SAFCA anticipates that virtually all of the funded capital improvement projects will be federally authorized and will be subject to cost sharing by the federal government and the State of California under established cost sharing guidelines. As a general rule, the cost share to be provided by the federal government for projects authorized prior to 1999 is 75 percent. For projects authorized in 1999 or after, this share is assumed to be 65 percent. Under applicable State law, local sponsors must provide at least 30 percent of the remaining non-federal share while the State provides a maximum of 70 percent. In practice, this means that for projects authorized prior to 1999, SAFCA's share of the total project cost is generally 7.5 percent; while for projects authorized in 1999 or later, this share is assumed to be 10.5 percent. The federal government will also provide 65 percent of the total cost of federally authorized environmental enhancement projects, with the State and local interests providing equal shares of the remaining 35 percent.

3.2 FOLSOM DAM MODIFICATIONS

The Folsom Dam Modifications Project was authorized by Congress in 1999. The project is intended to increase the dam's low level discharge and surcharge storage capacities in order to increase the reservoir storage space available for flood control. The initial design of the improvements needed to accomplish these objectives is being revised pursuant to a Post-Authorization Change Report which the USACE is preparing in cooperation with Reclamation for Congressional authorization in 2007. SAFCA anticipates that the redesigned project, which includes a new gated auxiliary spillway, replacement or modification of the dam's existing three emergency spillway gates, and a new 3.5-foot concrete parapet wall along the top of the dam's earthen dikes and wing dams, will be constructed for a total cost of $1.5 billion. SAFCA anticipates that 15 percent of this cost ($225 million) will be allocated to dam safety with the remaining 85 percent ($1.275 billion) being allocated to flood control. SAFCA's share of this flood control total will be 10.5 percent or $133.8 million, with the State providing 24.5 percent, or $312.4 million, and the federal government providing 65 percent or $828.8 million.

3.3 FOLSOM BRIDGE CONSTRUCTION

The Folsom Bridge Project was authorized by Congress in 2003. This authorization allocates a portion of the total cost of the project to flood control in order to mitigate for the required closure of Folsom Dam Road due to the modification of Folsom Dam. SAFCA anticipates that the total project cost will be $125 million. Of this total, $45 million will be allocated to flood control. SAFCA's share of this cost will be 10.5 percent or $4.7 million. The balance of the cost of the project will be provided by the federal government, the State, and the City of Folsom which is serving as the non-federal sponsor of the project.

3.4 AMERICAN RIVER LEVEE IMPROVEMENTS

Improvements to the levees along the American River downstream of Folsom Dam were initially authorized by Congress in 1996 as part of the American River Common Features Project. The authorized improvements consist primarily of seepage control measures, including cutoff walls and closure structures along extensive reaches of the levee system. In 1999, Congress broadened the scope of the authorized project to include raising portions of the north and south levees of the American River and construction of a closure structure across the Mayhew Drain. While much of this work has been completed at a cost of approximately $140 million, SAFCA anticipates that an additional $100 million will be needed to complete the authorized improvements. Because the project was initially authorized in 1996, SAFCA's share of this cost is 7.5 percent or $7.5 million, the State's share is 17.5 percent or $17.5 million, and the federal government's share is 75 percent or $75 million.

SAFCA anticipates that additional improvements to the American River levee system will be needed to accommodate the more efficient operation of Folsom Dam that will be possible once the Folsom Dam Modifications Project is completed. These additional improvements will consist primarily of erosion control measures to ensure that the levee system can safely contain sustained flows up to 160,000 cubic feet per second in the event of an extreme flood in the American River watershed. The cost of these additional improvements is estimated to be $60 million. SAFCA anticipates that Congress will authorize these improvements as part of an expanded American River Common Features Project once the design and operational requirements of the Folsom Dam Modifications Project are settled and the USACE has completed a General Re-Evaluation Report on these project elements. SAFCA's share of this cost will be 10.5 percent or $6.3 million, the State's share will be 24.5 percent or $14.7 million, and the federal government's share will be 65 percent or $39 million.

3.5 SACRAMENTO RIVER LEVEE IMPROVEMENTS

Improvements to the east levee of the Sacramento River downstream of the mouth of the American River are likely to be needed to ensure that this levee can safely contain a 200-year flood in the Sacramento River watershed. Although no detailed evaluation of the necessary improvements has been completed, SAFCA anticipates that underseepage control measures, including deep cutoff walls, will be needed along much of this 12 mile reach of the levee system. Some levee raising through the installation of flood walls along the top of the levee may also be required. SAFCA anticipates that Congress will authorize these improvements as part of an expanded American River Common Features Project once the detailed levee evaluations are completed and the USACE has completed a General Re-Evaluation Report on these project elements. The estimated total cost of these improvements is $340 million. SAFCA's share of this cost will be 10.5 percent or $35.7 million, the State's share will be 24.5 percent or $83.3 million, and the federal government's share will be 65 percent or $221 million.

3.6 NATOMAS LEVEE IMPROVEMENT PROGRAM

Improvements to the levees protecting the Natomas basin were initially authorized in 1993 as a separate element of the ongoing American River Watershed Investigation. These improvements consisted primarily of raising levees along the streams and canal system bordering the southeastern flank of the basin and extending eastward into the North Sacramento and Rio Linda areas of the City and County of Sacramento. These improvements were designed to safely contain extreme floods in the American River watershed and the watersheds contributing run-off to the tributary streams. SAFCA constructed these improvements as part of the North Area Local Project.

In 1996, Congress authorized improvements to the east levee of the Sacramento River downstream of the Natomas Cross Canal (NCC) to control high flows in the Sacramento River watershed. These improvements were included as the Natomas Elements of the American River Common Features Project. In 1999, Congress broadened this authorization to include levee raising along the south levee of the NCC. In the course of designing these improvements, the USACE determined that the objective of providing at least a 200-year level of flood protection to the Natomas basin could not be achieved without broadening the scope of the project to include potentially extensive measures to control levee underseepage. Subsequent levee evaluations by the USACE and SAFCA confirmed this determination. As a result, SAFCA developed a program of improvements for the levees protecting the Natomas basin including underseepage control measures, levee raising, and erosion control measures. The total cost of this program is estimated to be $414 million. SAFCA anticipates that these improvements will be authorized by Congress once the USACE completes a General Re-Evaluation Report on the Natomas Elements of the American River Common Features Project. SAFCA's share of the cost of these improvements will be 10.5 percent or $43.5 million, the State's share will be 24.5 percent or $101.4 million, and the federal government's share will be $269.1 million.

3.7 SOUTH SACRAMENTO STREAMS GROUP PROJECT

The South Sacramento Streams Group Project consists of improvements to the levees and channels along Morrison Creek and its tributaries in South Sacramento, raising the Beach Lake Levee which extends eastward from the Sacramento River to Morrison Creek, and constructing a ring levee around the Sacramento County Wastewater Treatment Plant Facility (Treatment Facility). These improvements were authorized by Congress in 1999. The improvements to the Beach Lake Levee and the ring levee around the Treatment Facility have been completed at a cost of approximately $30 million. SAFCA estimates that the work remaining along Morrison Creek and its tributaries will cost an additional $85 million. SAFCA's share of this cost is 10.5 percent, the State's share is 24.5 percent and the federal government's share is 65 percent. However, because the ring levee was completed entirely at local expense, and because SAFCA has advanced significant funding for project planning and design, SAFCA has accumulated credits sufficient to reduce its future contribution to the project to $3 million, of which $2 million will be spent to cover flood insurance, flood proofing for structures, or other projects that reduce flood damages in the Beach Lake floodplain downstream of the project, which were mitigation measures required of the original project. The remaining State share is $20.3 million, and the federal government's share is $61.7 million.

3.8 NORTH SACRAMENTO STREAMS FLOOD CONTROL IMPROVEMENTS

Substantial improvements to the levees along the canal system and tributary streams east of the Natomas basin have been completed as part of the North Area Local Project. These improvements include construction of a new levee along the north side of Dry Creek, and levee raising and strengthening along the east side of the Natomas East Main Drainage Canal (Steelhead Creek), the south side of Dry/Robla Creek and the north and south sides of Arcade Creek. New federal levee design guidelines could require additional work affecting portions of these improved levees. In addition, SAFCA has long planned to cooperate with the USACE and the State to improve the left bank levee of the Magpie Creek Diversion Channel in the vicinity of Raley Boulevard. SAFCA estimates that the total cost of these improvements is $16.7 million. Because federal cost sharing is assured only for the Magpie Creek element of this program, SAFCA's share of the total cost is $5 million, the State's share is $7.3 million, and the Federal share is $4.4 million.

3.9 ENVIRONMENTAL ENHANCEMENTS

As part of the authorization of the Folsom Dam Mini-Raise Project in 2003, Congress also authorized a series of environmental enhancement projects under the USACE's ecosystem restoration authority. These projects include improvements to the temperature control facilities that govern the inflow of reservoir water to Folsom Dam's hydropower penstocks, and enhancements to upland and floodplain habitats in the Woodlake and Cal Expo areas of the American River Parkway. SAFCA estimates that the total cost of these improvements will be $40 million. Under applicable federal guidelines, the federal government's share of this cost is 65 percent or $26 million. The State Legislature has authorized the State to provide 50 percent of the remaining non-federal share or $7 million. SAFCA's contribution will therefore also be $7 million.

These project components have been included in the program of improvements covered by the Consolidated District in order to address the requirements of Water Code § 12585.7(d) (part of AB 1147, adopted in 2000). This statute calls for the State to pay 50 percent rather than 70 percent of the non-Federal share of all flood control projects authorized by the Legislature on or after January 1, 2002, unless such projects make a significant contribution to a series of objectives specified in the statute, including environmental enhancement. The American River Parkway enhancements and Folsom Dam temperature control improvements would significantly contribute to the environmental enhancement objective and would therefore provide greater assurance that the State will contribute 70 percent of the non-federal share of the cost of the Folsom Dam Modifications Project. Thus, for a local cost of $7 million in environmental enhancements, property owners in the American River floodplain would avoid as much as a $90 million increase in their contribution to the cost of improving Folsom Dam.

3.10 SYSTEM OPERATION AND MAINTENANCE

As a condition of securing federal and State cost sharing for all of the above projects, SAFCA must provide assurances that the constructed improvements are maintained in accordance with adopted federal and State standards. These projects principally involve improvements to the existing levee system in the Sacramento area. SAFCA has consulted with its member agencies responsible for maintaining the affected levees to develop an appropriate cost estimate for following through on the required assurances. The agencies have agreed on a cost formula that they believe will allow them to carry out the required maintenance effort. This formula is based on an estimate of the extent of the levee improvements within each local maintenance district and an estimate of the cost per mile that is needed to cover the maintenance effort. As set forth in Table 3-1, this formula assumes a total of 72 miles of improved levee multiplied by $25,000 per mile to generate an annual total of $1.8 million. This sum is subject to adjustment based on the actual needs of the maintaining agencies.

In addition, SAFCA has assumed that $1 million per year may be needed to offset any reservoir operation or dam maintenance obligations that may be imposed on the Agency in connection with the Folsom Dam Modifications Project. Since these obligations will not mature for at least 7 to 10 years, SAFCA anticipates that in the intervening years, this sum could be devoted to

TABLE 3-1: SYSTEM OPERATION AND MAINTENANCE COSTS

Project Feature	Length of Levees to Maintain	Annual Levee Maintenance Cost ($25,000/mi)	Folsom Dam and Levee Encroachments Annual Maintenance Cost	Total Annual Maintenance Cost
Folsom Dam			$1,000,0000	**$1,000,000**
American River Levees	20 miles	$500,000		**$500,000**
Sacramento River Levees	12 miles	$300,000		**$300,000**
Natomas Levees	24 miles	$600,000		**$600,000**
South Sacramento Streams Group Levees and Floodwalls	12 miles	$300,000		**$300,000**
North Sacramento Streams Levees	4 miles	$100,000		**$100,000**
TOTAL	72 miles	$1,800,000	$1,000,000	**$2,800,000**

addressing levee and floodway encroachments that hinder operation and maintenance of portions of the lower American River and lower Sacramento River levee systems. Finally, SAFCA anticipates that as growth occurs in the Consolidated District over time, and the funded improvements age, the increase in annual assessments will be devoted as necessary to these operation and maintenance efforts.

3.11 NALP DEBT SERVICE

SAFCA financed much of the cost of the North Area Local Project through the issuance of bonds in 1995 and 1996. These bonds, which have an outstanding principal balance of $34.5 million, were refinanced in 2005 to take advantage of reduced interest rates. The annual debt service on the new bonds is $2.8 million in order that the bonds will be fully paid in 2025. In connection with formation of the Consolidated District, SAFCA is proposing to refinance these bonds in order to extend the repayment period so that it is consistent with the life of the Consolidated District, thereby further reducing the annual amount of the debt service to $2.2 million per year. This cost will remain on the properties currently bearing it; it will not be shifted to other properties not already paying for the bonds.

3.12 SUMMARY

Table 3-2 presents a summary of the total cost of the projects to be funded by the Consolidated District and the cost shares allocable to the participating agencies. Excluded from Table 3-2 are annual costs for System Operations and Maintenance and NALP Debt Service which are entirely locally funded by the Consolidated District. These annual costs are reflected in the cash flow analysis, Table 4-1.

TABLE 3-2: PROJECT COSTS[1] AND COST-SHARES

Project Feature	Project Cost	Federal Share	State Share	SAFCA Share	City of Folsom Share
Folsom Dam Improvements	$1,500.0.0	$1,053.8	$312.4	**$133.8**	
Folsom Bridge	$125.0	$66.8	$9.0	**$4.7**	$44.5
American River Levee Improvements	$160.0	$114.0	$32.2	**$13.8**	
Sacramento River Levee Improvements	$340.0	$221.0	$83.3	**$35.7**	
Natomas Levees	$414.0	$269.0	$101.5	**$43.5**	
South Sacramento Streams Group	$85.0	$61.7	$20.3	**$3.0**	
North Sacramento Streams	$16.7	$4.4	$7.3	**$5.0**	
Environmental Enhancements	$40.0	$26.0	$7.0	**$7.0**	
TOTAL	**$2,680.7**	**$1,816.7**	**$573.0**	**$246.5**	**$44.5**

[1] In millions of dollars. Excludes annual cost of System Operation and Maintenance and NALP Debt Service which are entirely SAFCA funded by Consolidated District

4.0 FINANCING PLAN

4.1 GENERAL

In order to determine the annual financing requirements necessary to fund SAFCA's share of the total cost of the projects and activities covered by the Consolidated District, SAFCA created a cash flow analysis and financing plan representing the likely timing for carrying out these projects and activities and the resulting funding demands on the Agency. The key assumptions supporting this analysis are outlined below.

4.2 KEY ASSUMPTIONS

The most important assumption in the cash flow analysis is that virtually all of the funded improvements will be subject to federal cost sharing. Many of these improvements are currently authorized, and all of them are logical extensions of existing authorized projects for which it has been determined that a broadening of the project scope and cost ceiling is required in order to secure the underlying Federal interest in the project. Such extensions are the predictable outcome of changing circumstances, new engineering insights, and the application of appropriate adaptive management strategies. The federal process anticipates these developments and provides the USACE with the necessary managerial tools.

The cash flow analysis also assumes that there will be State cost sharing for all of the funded improvements. In most cases, it is assumed that this share will amount to 70 percent of the non-Federal cost of the improvements. This assumption is uncertain, however, because the State Department of Water Resources has not yet adopted regulations implementing Water Code Section 12585.7(d) (AB 1147, adopted in 2000). While all of the improvements that would be covered by the Consolidated District were either authorized prior to the effective date of AB1147 or would become part of projects authorized prior to this date, and thus should not be subject to any reduction in the State's cost share, this conclusion is uncertain. Therefore, in order to increase the certainty that the State share will remain 70 percent rather than 50 percent of the non-federal share of the cost of the Folsom Dam Modifications Project, the improvement program covered by the Consolidated District includes environmental enhancements that would contribute significantly to the objectives specified in Water Code Section 12585.7(d)(1).

The cash flow analysis assumes that SAFCA and the State will take advantage of federal crediting mechanisms to advance the completion date of some of the improvements that would be covered by the Consolidated District. Specifically, the analysis assumes that the State will use its Proposition 1E bond funds and SAFCA will use the bonding capacity of the Consolidated District to construct substantial portions of the Natomas Levee Improvement Program prior to the USACE's completion of its General Re-Evaluation Report on the Natomas Elements of the American River Common Features Project. Prior to initiating construction of this work, the State and SAFCA will seek assurances from the USACE pursuant to Section 104 of the Water Resources Development Act of 1986, that: (1) this work is consistent with the objectives of the Natomas Element of the authorized American River Common Features Project; (2) there is likely a federal interest in broadening the scope of the Common Features Project to include this work; and (3) upon Congress' authorization of this work, the State and SAFCA will receive credit to reduce the non-federal share of the cost of the remaining elements of the American River Common Features Project.

4.3 CASH FLOW ANALYSIS

Table 4-1 presents the cash flow analysis for years 2006-07 through 2026-27. It assumes an initial annual assessment of $18.1 million. This assessment is expected to grow by about $200,000 per year as new development occurs in the protected 200-year floodplain. This incremental increase in assessments is allocated to system operation and maintenance activities. In order to fund SAFCA's share of the total cost of the projects covered by the Consolidated District, the cash flow analysis assumes that SAFCA will issue three bonds: (1) one in 2007 in the amount of $113 million which will be used to repay the $10 million in loans that SAFCA obtained from the City and the County of Sacramento in 2006 to support formation of the Consolidated District and cover project costs through 2010; (2) a second bond in 2011 in the amount of $40 million to cover project costs through 2013; and (3) a third bond in 2014 in the amount of $44 million to cover project costs through 2018 when it is assumed that all capital improvement work will be completed. These bonds will be structured to provide repayment by the end of the authorized assessment period for the Consolidated District in 2037. Table 4-1 does not show the last 10 years of the Consolidated District. For those years, the cash flow is assumed to be similar to year 2026-27.

The cash flow analysis reflects the following assumptions regarding federal crediting for State and SAFCA advance funding of the Natomas Levee Improvements:

- SAFCA's share of the Natomas project is $43.5 million (Table 3-2). SAFCA, using the bonding capacity of the Consolidated District, will advance $34.5 million towards the early completion of the Natomas Levee Improvements for a total contribution of $78.0 million (Table 4-1). SAFCA's share of the American River and Sacramento River Levee Improvements is reduced by an equivalent amount of $5.2 million and $29.3 million, respectively.
- The State's share of the Natomas project is $101.5 million (Table 3-2). The State will advance $80.5 million from Proposition 1E bond funds towards the early completion of the Natomas Levee Improvements for a total contribution of $182.0 million (Table 4-1). The State's share of the American River and Sacramento River Levee Improvements is reduced by an equivalent amount of $12.1 million and $68.4 million, respectively.
- The federal share of the Natomas project is $269.0 million (Table 3-2). This share will be reduced by $115.0 million, the amount of the federal contribution that is advanced by SAFCA and the State together, for a total remaining federal contribution of $154.0 million (Table 4-1). The federal share of the American River and Sacramento River Levee Improvements is increased by an equivalent amount of $17.3 million and $97.7 million, respectively.

TABLE 4-1: CASH FLOW ANALYSIS

Project	Agency	Total Cost	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Folsom Dam	Federal (Dam Safety)	225.0	5.0	10.0	10.0	20.0	45.0	45.0	45.0
Modifications	Federal	828.8	4.3	7.6	77.0	97.0	108.2	108.2	68.2
	State	312.4	1.6	2.9	26.8	35.1	40.6	40.6	25.7
	SAFCA	133.8	0.7	1.2	11.9	16.7	17.7	17.7	11.2
	Total	1,500.0	11.6	21.7	125.7	168.8	211.5	211.5	150.1
Folsom Bridge	Federal	66.8	9.0	29.4	28.4				
	State	9.0		4.5	4.5				
	SAFCA	4.7		2.4	2.3				
	Folsom	44.5	2.0	19.2	23.3				
	Total	125.0	11.0	55.5	58.5				
American River	Federal	131.3	6.8	13.6	13.6	13.6	13.6	13.8	5.0
Levee	State	20.1	5.1	3.3	3.1	3.2	1.4	1.4	1.8
Improvements	SAFCA	8.6	2.3	1.4	1.4	1.4	0.5	0.5	0.8
	Total	160.0	14.2	18.3	18.1	18.2	15.5	15.7	7.6
Sacramento River	Federal	318.7							28.0
Levee	State	14.9							10.3
Improvements	SAFCA	6.4							4.5
	Total	340.0							42.8
Natomas	Federal	154.0	2.6	2.6	2.6	2.6	2.5	70.6	70.5
Levees	State	182.0	3.4	24.0	51.6	51.5	51.5		
	SAFCA	78.0	7.1	10.1	20.3	20.3	20.2		
	Total	414.0	13.1	36.7	74.5	74.4	74.2	70.6	70.5
South Sacramento	Federal	61.7	10.7	10.0	10.5	7.7	7.6	7.6	7.6
Streams Group	State	20.3	3.6	3.3	3.4	2.5	2.5	2.5	2.5
	SAFCA	3.0	0.7	0.3	2.0				
	Total	85.0	15.0	13.6	15.9	10.2	10.1	10.1	10.1
North	Federal	4.4			4.4				
Sacramento	State	7.3			1.7		2.8	2.8	
Streams	SAFCA	5.0		0.3	1.7	0.6	1.2	1.2	
	Total	16.7		0.3	7.8	0.6	4.0	4.0	
Environmental	Federal	26.0			14.8				
Enhancements	State	7.0			4.0				
	SAFCA	7.0			4.0				
	Total	40.0			22.8				
Total Capital	Federal (Dam Safety)	225.0	5.0	10.0	10.0	20.0	45.0	45.0	45.0
Projects	Federal	1,591.7	33.4	63.2	151.3	120.9	131.9	200.2	179.3
	State	573.0	13.7	38.0	95.1	92.3	98.8	47.3	40.3
	SAFCA	246.5	10.8	15.7	43.6	39.0	39.6	19.4	16.5
	Folsom	44.5	2.0	19.2	23.3				
	Total	2,680.6	64.9	146.1	323.3	272.2	315.3	311.9	281.1
SAFCA Financing	2007 Bond	113.0		7.1	7.1	7.1	7.1	7.1	7.1
Annual Debt Service	2011 Bond	40.0						2.8	2.8
	2014 Bond	44.0							
System O&M	SAFCA			2.8	3.0	3.2	3.4	3.6	3.8
NALP Debt Service	SAFCA			2.2	2.2	2.2	2.2	2.2	2.2
	Total	197.0		12.1	12.3	12.5	12.7	15.7	15.9
SAFCA Annual	Assessments		3.7	18.1	18.3	18.5	18.7	18.9	19.1
Revenue	Bonds			113.0				40.0	
	Prior Yr Balance		0.0	(7.1)	96.2	62.9	32.7	0.5	24.3
	Total		3.7	124.0	114.5	81.4	51.4	59.4	43.4
SAFCA Annual	Expenditures		10.8	27.8	55.9	51.5	52.3	35.1	32.4
Balance	Balance		(7.1)	96.2	58.6	29.9	(1.0)	24.3	11.0
	Interest			0.0	4.3	2.8	1.5	0.0	1.1
	Yr End Balance		(7.1)	96.2	62.9	32.7	0.5	24.3	12.1

TABLE 4-1: CASH FLOW ANALYSIS (CONTINUED)

Project	Agency	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Folsom Dam	Federal (Dam Safety)	45.0							
Modifications	Federal	68.2	58.1	58.0	58.0	58.0	58.0		
	State	25.7	22.7	22.7	22.7	22.7	22.6		
	SAFCA	11.2	9.0	9.5	9.0	9.0	9.0		
	Total	150.1	89.8	90.2	89.7	89.7	89.6		
Folsom Bridge	Federal								
	State								
	SAFCA								
	Folsom								
	Total								
American River	Federal	6.3	9.0	9.0	9.0	9.0	9.0		
Levee	State	0.8							
Improvements	SAFCA	0.3							
	Total	7.4	9.0	9.0	9.0	9.0	9.0		
Sacramento River	Federal	37.7	51.0	51.0	51.0	51.0	49.0		
Levee	State	4.6							
Improvements	SAFCA	1.9							
	Total	44.2	51.0	51.0	51.0	51.0	49.0		
Natomas	Federal								
Levees	State								
	SAFCA								
	Total								
South Sacramento	Federal								
Streams Group	State								
	SAFCA								
	Total								
North	Federal								
Sacramento	State								
Streams	SAFCA								
	Total								
Environmental	Federal	8.6	2.6						
Enhancements	State	2.0	1.0						
	SAFCA	2.0	1.0						
	Total	12.6	4.6						
Total Capital	Federal (Dam Safety)	45.0							
Projects	Federal	120.8	120.7	118.0	118.0	118.0	116.0		
	State	33.1	23.7	22.7	22.7	22.7	22.6		
	SAFCA	15.4	10.0	9.5	9.0	9.0	9.0		
	Folsom								
	Total	214.3	154.4	150.2	149.7	149.7	147.6		
SAFCA Financing	2007 Bond	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Annual Debt Service	2011 Bond	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
	2014 Bond		3.3	3.3	3.3	3.3	3.3	3.3	3.3
System O&M	SAFCA	4.0	4.2	4.4	4.6	4.8	5.0	5.2	5.4
NALP Debt Service	SAFCA	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
	Total	16.1	19.7	19.9	20.1	20.3	20.5	20.7	20.9
SAFCA Annual	Assessments	19.3	19.5	19.7	19.9	20.1	20.3	20.5	20.7
Revenue	Bonds		44.0						
	Prior Yr Balance	12.1	0.4	34.2	26.1	18.1	9.8	1.1	0.9
	Total	31.4	63.9	53.9	46.0	38.2	30.1	21.6	21.6
SAFCA Annual	Expenditures	31.5	29.7	29.4	29.1	29.3	29.5	20.7	20.9
Balance	Balance	(0.1)	34.2	24.6	17.0	9.0	0.6	0.9	0.8
	Interest	0.5	0.0	1.5	1.2	0.8	0.4	0.0	0.0
	Yr End Balance	0.4	34.2	26.1	18.1	9.8	1.1	0.9	0.8

TABLE 4-1: CASH FLOW ANALYSIS (CONTINUED)

Project	Agency	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Folsom Dam	Federal (Dam Safety)						
Modifications	Federal						
	State						
	SAFCA						
	Total						
Folsom Bridge	Federal						
	State						
	SAFCA						
	Folsom						
	Total						
American River	Federal						
Levee	State						
Improvements	SAFCA						
	Total						
Sacramento River	Federal						
Levee	State						
Improvements	SAFCA						
	Total						
Natomas	Federal						
Levees	State						
	SAFCA						
	Total						
South Sacramento	Federal						
Streams Group	State						
	SAFCA						
	Total						
North	Federal						
Sacramento	State						
Streams	SAFCA						
	Total						
Environmental	Federal						
Enhancements	State						
	SAFCA						
	Total						
Total Capital	Federal (Dam Safety)						
Projects	Federal						
	State						
	SAFCA						
	Folsom						
	Total						
SAFCA Financing	2007 Bond	7.1	7.1	7.1	7.1	7.1	7.1
Annual Debt Service	2011 Bond	2.8	2.8	2.8	2.8	2.8	2.8
	2014 Bond	3.3	3.3	3.3	3.3	3.3	3.3
System O&M	SAFCA	5.6	5.8	6.0	6.2	6.4	6.6
NALP Debt Service	SAFCA	2.2	2.2	2.2	2.2	2.2	2.2
	Total	21.1	21.3	21.5	21.7	21.9	22.1
SAFCA Annual	Assessments	20.9	21.1	21.3	21.5	21.7	21.9
Revenue	Bonds						
	Prior Yr Balance	0.8	0.7	0.6	0.4	0.3	0.1
	Total	21.7	21.8	21.9	21.9	22.0	22.0
SAFCA Annual	Expenditures	21.1	21.3	21.5	21.7	21.9	22.1
Balance	Balance	0.7	0.5	0.4	0.3	0.1	(0.0)
	Interest	0.0	0.0	0.0	0.0	0.0	0.0
	Yr End Balance	0.7	0.6	0.4	0.3	0.1	(0.0)

5.0 ASSESSMENT METHODOLOGY

5.1 GENERAL

Under Proposition 218, a governmental agency may fund public improvements by levying an assessment on the properties that would receive a special benefit from the improvements. A special benefit is a particular and distinct benefit over and above the general benefits conferred on real property located in the district or to the public at large. The cost of the improvements must be apportioned among the properties being assessed based on the proportionate special benefit these properties will receive. Moreover, the governmental agency must demonstrate through a balloting process, weighted to reflect these special benefits, that the ballots submitted in opposition to the assessment do not exceed the ballots submitted in favor of the assessment, weighted according to the proportional financial obligation of the affected property.

In this instance, the properties within the proposed Consolidated District will receive a special flood protection benefit in the form of a substantial reduction in expected flood damages. For a relatively wide range of flood events, these properties will escape all of the pre-project damages to structures, the contents of structures and the land comprising the property they could have otherwise suffered.

In addition to this special benefit, the flood control improvements funded by the Consolidated District will provide incidental benefits throughout the Sacramento metropolitan area. Such incidental or general benefits, which are not particular to any property, will include: the avoidance of flood damages to transportation infrastructure, places of employment, shopping centers and other retail services; in a major flood, streets and roads become impassable, preventing or at least disrupting the normal flow of traffic; employees are unable to go to work if their places of employment are flooded; emergency services are directed to provide assistance in the flooded areas, potentially reducing or delaying such services in the non-flooded areas of the community. With the implementation of flood control improvements, the regional employment base will be protected from short-term disruption and potential long-term relocation due to severe flooding. These incidental benefits extend to properties and persons throughout the region and not just within the Consolidated District boundaries, but are difficult to predict and are in the nature of the benefits that all public improvements provide.

The special flood damage reduction benefit provided by these flood control improvements will vary based on the size and use of the affected structures, and the relative size and location of the affected property. Moreover, because of the nature of the floodplains in Sacramento and the design of the area's flood control system, no single improvement will protect all the properties in the Consolidated District. Rather, because there are a number of separate and overlapping floodplains protected by separate and overlapping flood control facilities, the improvements funded by the Consolidated District will have geographically distinct benefits. To reflect this condition while adhering to Proposition 218's special benefit requirement, the Consolidated District will be divided into a mosaic of benefit zones within which the property owners will be assessed only for the cost of the improvements that directly protect the properties within their zone.

Finally, because the Consolidated District will eliminate and replace two existing capital assessment districts, for most property owners, the new assessment will represent a net change rather than a cumulative increase in their assessment. The sections that follow describe in detail the methodology that will be used to calculate these new assessments.

5.2 FLOOD DAMAGE REDUCTION BENEFIT

The special flood damage reduction benefit that will be provided to all of the properties in the Consolidated District is based on avoidance of damage to structures, to the contents of the structures, and to land.

5.2.1 Structure and Content Damage

The USACE has defined potential flood damages to structures and contents by land use category:

- Industrial – losses and destruction of industrial properties, including warehouses, from inundation consist of fixtures and equipment, inventory, and structure.
- Commercial – structure value and content value including equipment and furniture, supplies, merchandise, and other items used in the conduct of business.
- Residential – physical damages to dwelling units (single-family, multi-family, and mobile homes) and to residential contents including household items and personal property.

To reflect relative differences in the exposure of structures and their contents to flood-related damages, a structure and content damage factor has been calculated based on the following:

- Relative structure values for residential, commercial, and industrial structures were determined using USACE data developed in connection with the American River Watershed Investigation[2]. These values represent gross averages for the different land uses based on the USACE estimates for structure replacement costs. They do not represent assessed value or current market value for any individual structure. Relative structure values in Table 5-1 are used in the assessment methodology to reflect the relative value relationships between land use categories.

TABLE 5-1: RELATIVE STRUCTURE VALUE

Land Use	Relative Structure Value ($/SF)
Residential	60
Commercial	70
Industrial	50

- Relative flood depths for the 100-year event were established by dividing the Consolidated District into three depth zones (0 to 5 feet, 5 to 10 feet, and 10 feet or greater), as shown in Figure 5-1 for the American River and Sacramento River floodplain, and Figure 5-2 for the South Sacramento Streams floodplain. These flood depth maps were derived from maps,

[2] US Army Corps of Engineers, *American River Watershed Investigation, California: Feasibility Report*, Sacramento District, December 1991.

FIGURE 5-1: AMERICAN RIVER/SACRAMENTO RIVER FLOOD DEPTH ZONES

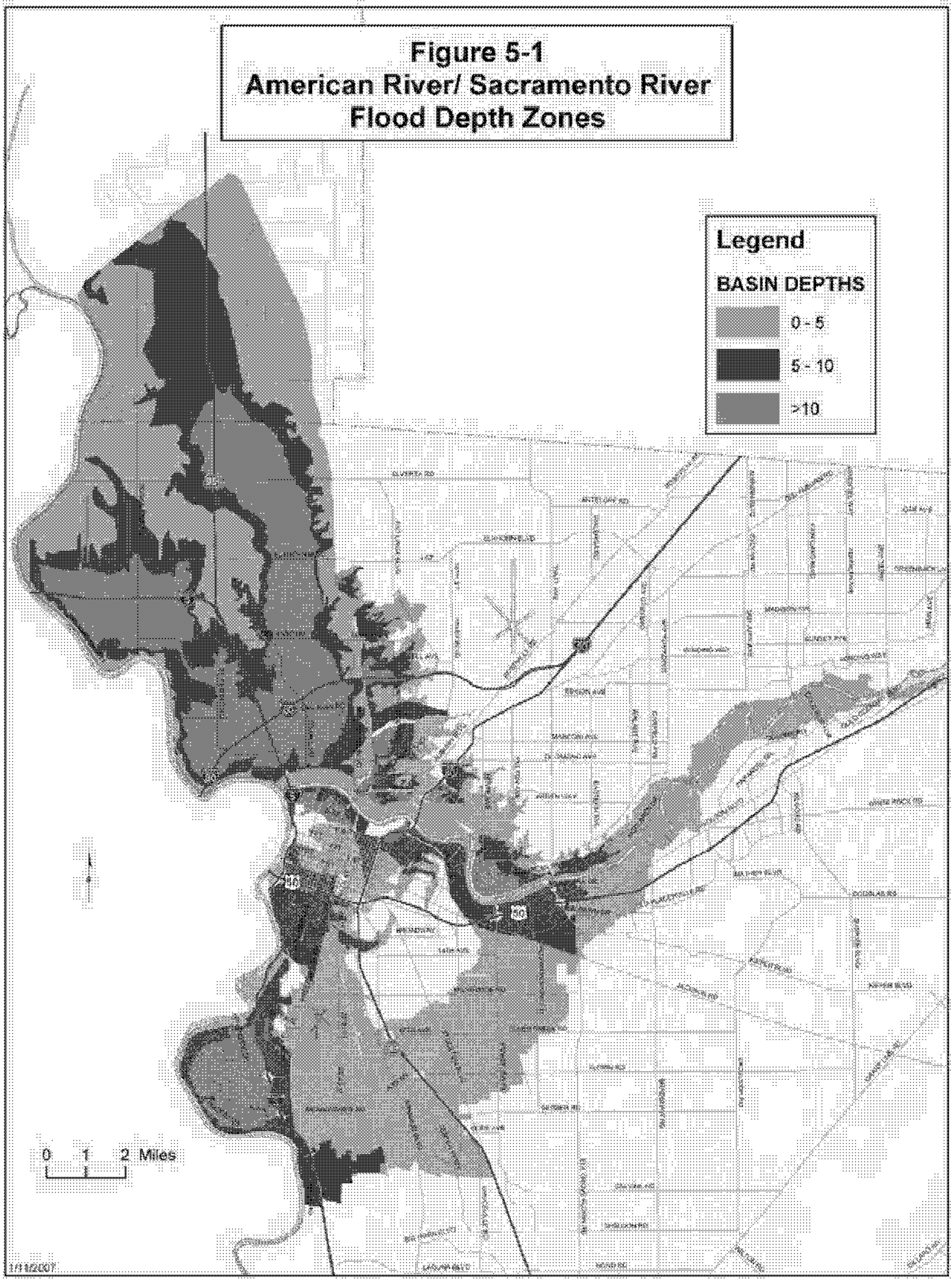
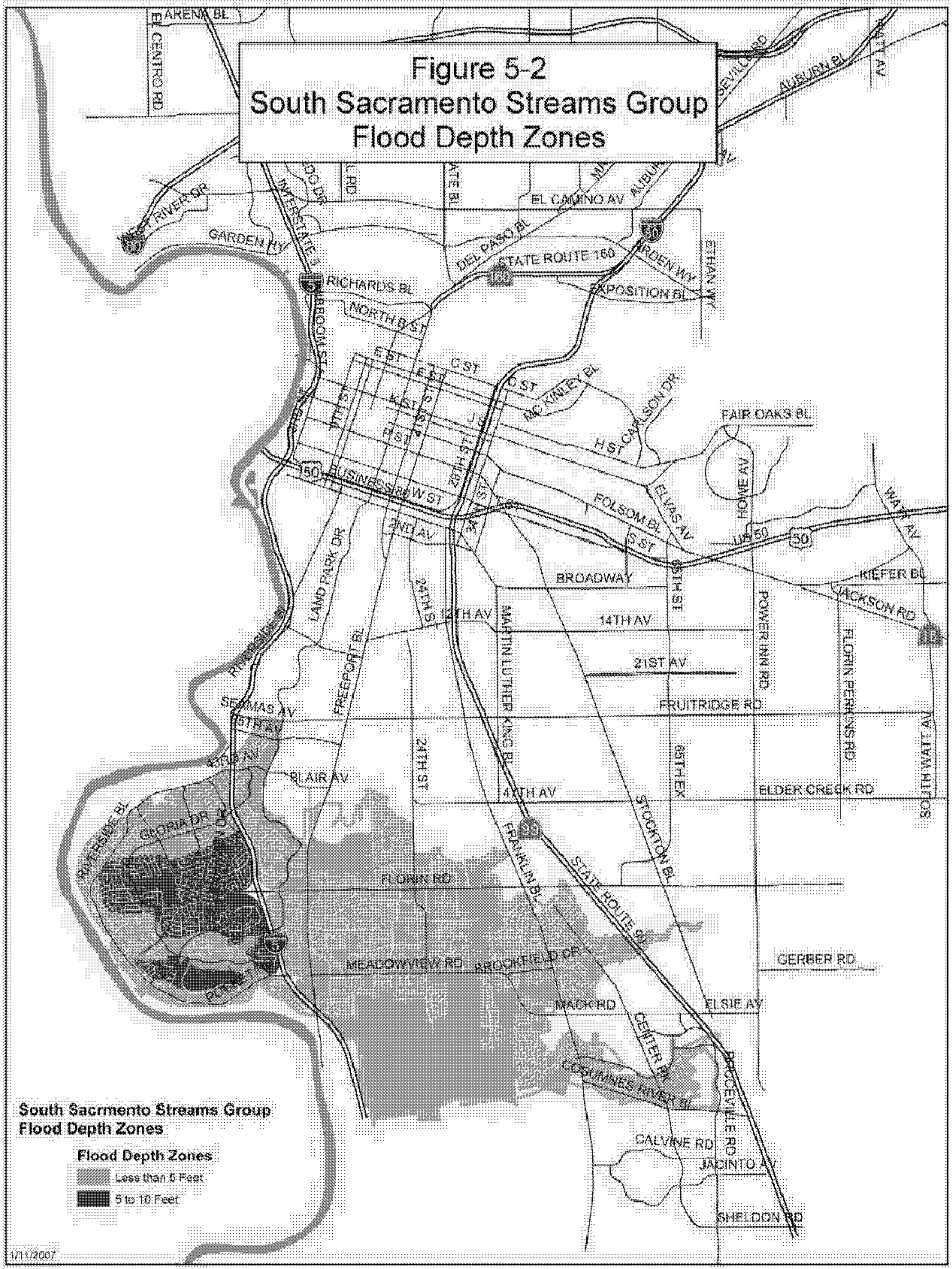


FIGURE 5-2: SOUTH SACRAMENTO STREAMS GROUP FLOOD DEPTH ZONES



flood elevation data, flood depths and ground elevation data developed previously by the California Department of Water Resources, FEMA, USACE and United States Geological Survey (USGS). For areas outside the 100-year floodplain but within the 200-year floodplain, the shallow flood depth zone (0 to 5 feet) was assigned.

- The relationship between depth of flooding and damages to structure and contents was calculated for each land use category (residential, commercial, and industrial) and depth zone in the Consolidated District using the depth-damage curves established for the USACE American River Watershed Investigation. Separate curves were used for one story and two story residential structures based on 1988 Federal Insurance Administration (FIA) depth-damage relationships for residential structures. USACE damage surveys of flood damaged structures along Dry Creek in Roseville conducted immediately after the storm of February 1986 confirmed the reasonableness of these 1988 FIA depth-damage relationships. The commercial and industrial curves were based on depth-damage relationships based on data developed by the Tennessee Valley Authority (TVA) for the Department of Housing and Urban Development (HUD). For the USACE Morrison Creek Investigation, interviews with owners and managers of commercial buildings established depth-percent damage relationships that were very similar to those in the HUD study.

The resulting damages to structure and contents, expressed as a percent of the structure value, are shown in Table 5-2.

TABLE 5-2: PERCENT DAMAGE TO STRUCTURE AND CONTENTS

Percent Damage To Structure and Contents Expressed as A Percent[3] of Structure Value			
	Flood Depth Zones		
Land Use	**0 to 5 ft**	**5 to 10 ft**	**Greater than 10 ft**
Residential One Story	33%	70%	79%
Residential Two Story[4]	26%	53%	67%
Commercial	72%	125%	146%
Industrial	74%	105%	136%

Flood damages to structures and their contents were calculated for each property in the Consolidated District using the actual square footage for the first and second stories of residential structures, the first story of commercial and industrial structures, and appropriate structure value and depth-percent damage relationships for the particular land use.

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[3] Because percentage values represent damages to both structure and contents, they may exceed 100% of structure value.

[4] Percent damages for condominium units on the second floor or higher are 20%, 43% and 67% for 0 to 5 ft, 5 to 10 ft and greater than 10 ft flood depth zones, respectively. See Section 5-6, Special Procedures for Condominiums.

For example, the relative structure and contents damages of a one story single-family residential structure with a square footage of 1,200 square feet (sf) located in flood depth zone 1 (0 to 5 ft) would be calculated as follows: $60/sf x 1200 sf x 33% = $23,760

5.2.2 Damage to Land

There are a number of factors that contribute to the flood damage reduction benefit to land, both vacant and improved. These include, but are not limited to, reduced cost of development, the ability to secure financing for urban development projects, reduced cost of flood insurance, changes in highest and best land use and preservation of land values. Based on a review by a certified real estate appraiser, all parcels in the Consolidated District would be subject to a ten-percent land damage factor. This is considered a conservatively low estimate of the assumed land damages that would occur in recognition that the affected parcels could be inundated by a major flood event.

As part of SAFCA's 1990 Operation and Maintenance Assessment District No. 1 (District 1) formation process, all properties were assigned a land value based on land use, geographic location, parcel size and zoning. These base value estimates considered land alone, exclusive of any building improvements. The values derived are not assessed value or market value for any individual parcel of land. Rather they represent the value relationships between various land use classifications. Details of the valuation methodology utilized in District 1 are provided in Appendix A.

For the Consolidated District, a weighted average land value was calculated for all parcels within the district boundary with the same land use code based on the County of Sacramento Assessor's land use codes (Appendix B). This calculation relied on the land values previously derived in connection with District 1. For example, previously derived land values for approximately 68,000 parcels classified as single-family residential were summed and then divided by the total area of all such parcels. The result is a single land use value per acre for the single-family residential land use category. Values for the other land use categories were similarly derived. The resulting relative land use values were multiplied by the ten-percent land damage factor to define the relative land damage values shown below. For agricultural land, the generalized Land Use Index that was developed in connection with SAFCA's 1995 North Area Local Capital Assessment District No. 2 provided the basis for using a land value approximately equal to 10 percent of the corresponding single-family residential land value. Values of relative land damage are provided in Table 5-3.

The amount of flood damages to land for a particular property is calculated using the actual parcel acreage and the appropriate relative land damage value. For example, the flood damage benefit to land for a single-family residential property with a parcel area of 0.17 acres would be calculated as follows: $25,100/acre x 0.17 acres = $4,267

5.2.3 Total Relative Flood Damage Reduction Benefit

The total relative flood damage reduction benefit for each parcel in the Consolidated District is the sum of the structure and content damages and the land damages associated with that parcel. For example, the single-family residential property used in the above example calculations would have total flood damage reduction benefits of $23,760 + $4,267 = $28,027.

TABLE 5-3: RELATIVE LAND DAMAGE

Land Use	Relative Land Damage ($/Acre)
Single-Family Residential	25,100
Multi-Family Residential	27,800
Commercial	55,400
Industrial	14,500
Vacant Residential	12,100
Vacant Commercial	33,000
Vacant Industrial	6,700
Agricultural	2,500

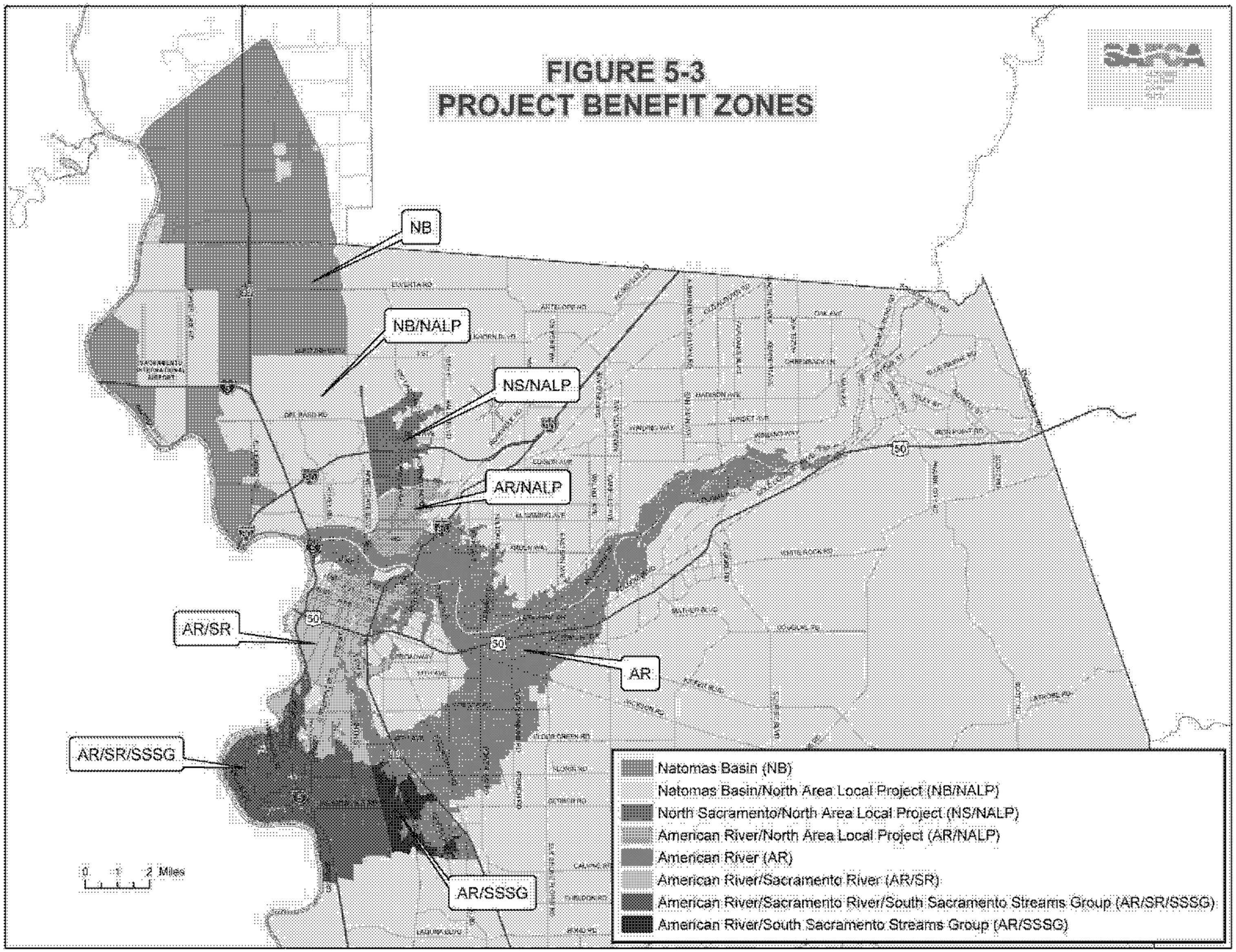
5.3 DISTRICT BOUNDARIES AND PROJECT BENEFIT ZONES

The Consolidated District would fund the local share of the cost of the improvements needed to provide "200-year" protection along the lower American and Sacramento Rivers and their tributaries. Accordingly, the Consolidated District would encompass the properties in the "200-year" floodplain, using essentially the same boundaries as SAFCA's District 1 "wet zone'. These boundaries were defined by the Agency in 1991. They reflect SAFCA's best judgment as to the geographic extent of the area of inundation created by an uncontrolled "200-year" flood, assuming a variety of levee failure locations. Approximately 140,000 parcels are within the Consolidated District boundary, with about 120,000 parcels being single-family residential.

In order to properly reflect the unique geography of the "200-year" floodplain and the design of the area's flood control system, the Consolidated District would be divided into eight project benefit zones. Each of these zones would be tied to the specific set of projects and activities that impart a direct flood damage reduction benefit to that zone. As shown in Figure 5-3, these zones would be defined as follows:

1. The Natomas Basin **(NB)** zone would consist of the area with in the Natomas basin that was not part of the North Area Local Project Capital Assessment District No. 2 (District 2). This zone would fund the local share of the levee improvements around the Natomas Basin;
2. The Natomas Basin/North Area Local Project **(NB/NALP)** zone would consist of the area within the Natomas basin that was included in District 2. This zone would fund the local share of the levee improvements around the Natomas basin and continue to contribute to a share of the remaining debt on the North Area Local Project (NALP);
3. The North Sacramento/North Area Local Project **(NS/NALP)** zone would consist of the area east of Natomas and north of Arcade Creek that was included in District 2 because of the potential for flooding from Dry Creek, Arcade Creek and the Natomas East Main Drainage Canal. This zone would fund any additional local levee improvements needed to prevent this flooding and continue to contribute to a share of the remaining debt on the NALP;

FIGURE 5-3: PROJECT BENEFIT ZONES



4. The American River/North Area Local Project **(AR/NALP)** zone would consist of the area east of Natomas and south of Arcade Creek that was included in District 2 due to the potential for flooding from Arcade Creek and the Natomas East Main Drainage Canal and is also subject to flooding from the American River. This zone would fund a share of the improvements to Folsom Dam, levee improvements along the American River, and environmental enhancements to Folsom Dam and the American River Parkway, and continue to contribute to a share of the remaining debt on the NALP;
5. The American River **(AR)** zone would consist of the area that is subject flooding only from the American River. This zone would fund a share of the improvements to Folsom Dam, levee improvements along the American River and environmental enhancements to Folsom Dam and the American River Parkway;
6. American River and Sacramento River **(AR/SR)** zone would consist of the area that is subject to flooding from two sources: the American River and the Sacramento River. This zone would fund a share of the improvements to Folsom Dam, levee improvements along the American River, environmental enhancements to Folsom Dam and the American River Parkway, and improvements to the Sacramento River levee south of the American River;
7. The American River/Sacramento River/South Sacramento Streams Group **(AR/SR/SSSG)** zone would consist of the area that is subject to flooding from the American River, the Sacramento River and Morrison Creek and its tributaries (South Sacramento Streams Group). This zone would fund a share of the improvements to Folsom Dam, levee improvements along the American River, environmental enhancements to Folsom Dam and the American River Parkway, improvements to the Sacramento River levee south of the American River and improvements to the South Sacramento Streams Group levees; and
8. The American River/South Sacramento Streams Group **(AR/SSSG)** zone would consist of the area subject to flooding from the American River and the South Sacramento Streams Group. This zone would fund a share of the improvements to Folsom Dam, levee improvements along the American River, environmental enhancements to Folsom Dam and the American River Parkway, and improvements to the South Sacramento Streams Group levees.

5.4 ASSESSMENT SPREAD

The amount of the annual assessments collected from each project benefit zone is sized to be sufficient to cover the local share of the cost of the improvements protecting that zone and the system operation and maintenance costs associated with these improvements. These costs were described in Section 3 and presented in Tables 3-1, 3-2 and 4-1. As shown in Table 5-4, the annual revenues required to fund these costs were allocated to the project benefit zones in proportion to the total relative flood damage reduction benefits they receive from the affected improvements. The assessment rate for each parcel in the Consolidated District is calculated by dividing the amount of annual revenue required to support each funded set of projects by the total relative flood damage reduction benefits for all parcels within the benefit zones protected by that set. Because this calculation accounts for the relative flood depths applicable to each parcel, it is dependent on the flood depth maps that were separately created for the American River and

TABLE 5-4: ALLOCATION OF SAFCA ANNUAL COSTS TO BENEFIT ZONES

Project Feature	Folsom Dam and American River Improvements	Sacramento River Improvements	Natomas Improvements	South Sacramento Streams Group	North Sacramento Improvements	System Operation and Maintenance	NALP Debt Service	Total
Annual Cost ($M)	$8.47	$1.9	$2.31	$0.16	$0.27	$2.80	$2.20	$18.11
Benefit Zone								
NB			$0.09			$0.02		$0.11
NB-NALP			$2.22			$0.58	$1.72	$4.52
NS-NALP					$0.27	$0.10	$0.22	$0.59
AR-NALP	$0.45					$0.08	$0.26	$0.79
AR	$4.49					$0.79		$5.28
AR-SR	$1.65	$0.95				$0.44		$3.04
AR-SR-SSSG	$1.65	$0.95		$0.14		$0.71		$3.45
AR-SSSG	$0.23			$0.02		$0.08		$0.33

Sacramento River (AR/SR) floodplain and the South Sacramento Streams Group (SSSG) floodplain (Figures 5-1 and 5-2). These assessment rates are then aggregated for all funded sets of projects to create the aggregate assessment rates for all project benefit zones in the Consolidated District. These aggregate assessment rates are shown in Table 5-5. The annual assessment for each parcel is computed by multiplying that parcel's total relative flood damage reduction benefit by the appropriate aggregate assessment rate.

The details of applying the assessment rates to calculate an individual parcel's assessment are illustrated in Appendix C. The assessments on properties in the combined AR/SR and SSSG flood depth zones were calculated separately for each zone and then added together. The formula used to calculate assessments for all parcels can be expressed as follows:

[(Building Rate)(Building Square Footage)] + [(Parcel Rate)(Parcel Acreage)] = Annual Assessment

- Building Rate is a function of Benefit Zone, Land Use, and Flood Depth Zone
- Parcel Rate is a function of Benefit Zone and Land Use
- Square Footage for the first and second stories of all residential structures and for the first story of all commercial and industrial structures was determined for each improved parcel in the Consolidated District using data available from the County Assessor's records or other sources
- Parcel Acreage was obtained from the County Assessor's records
- Land Use categories were assigned to each parcel based on the County Assessor's Land Use Codes (Appendix B) and the assignments provided in Appendix D. The exceptions were parcels in Natomas (NB) outside the developed or developing area (NB-NALP) that are zoned for agricultural use but have a vacant residential County Assessor's Land Use Code. Such parcels were classified as agricultural based on zoning designation to more correctly reflect the current use of the land and associated relative flood damage reduction benefit.
- Benefit Zones are as shown in Figure 5-3
- Flood Depth Zones are as defined in Figures 5-1 and 5-2
- Table 5-6 contains the Building Rate and Parcel Rate multipliers for the various Land Use categories, Benefit Zones and Flood Depth Zones. The use of Table 5-6 is demonstrated in the example assessment calculations below.

5.5 EXAMPLE ASSESSMENT CALCULATIONS

Using the assessment formula, Table 5-6 and the steps listed below, an individual parcel's assessment for either a current land use or potential future land use can be conveniently calculated.

- Step 1 – using Figure 5-3, determine the Benefit Zone for the property
- Step 2 – determine the appropriate Land Use category for the property
- Step 3 – using Figure 5-1 and, if in Benefit Zones AR-SR-SSSG or AR-SSSG, Figure 5-2, determine the Flood Depth Zone(s) for the property
- Step 4 – using Table 5-6, determine the appropriate Parcel Rate and Building Rate multipliers.

TABLE 5-5: ASSESSMENT RATES

Project Benefit Zone	Assessment Rate AR/SR Floodplain	Assessment Rate SSSG Floodplain
NB	0.00070966	
NB-NALP	0.00117603	
NS-NALP	0.00125000	
AR-NALP	0.00142348	
AR	0.00095711	
AR-SR	0.00149967	
AR-SR-SSSG	0.00162933	0.00006915
AR-SSSG	0.00108677	0.00006915

- Step 5 – insert the actual parcel acreage and appropriate building square footage into the assessment formula and calculate the assessment

The following examples illustrate such calculations.

Example 1

Assume a one story single-family residential property located in the Benefit Zone NB-NALP, Flood Depth Zone 2, parcel size is 0.14 acres and building square footage is 1,500 square feet.

From Table 5-6, Parcel Rate = 29.518 and Building Rate = 0. 049393. The assessment is calculated as:

(0.049393 x 1,500 sf) + (29.518 x 0.14 ac) = $78

Example 2

Assume a two story single-family residential property located in the Benefit Zone NB-NALP, Flood Depth Zone 2, parcel size is 0.14 acres and building square footage is 2,300 square feet.

From Table 5-6, Parcel Rate = 29.518 and Building Rate = 0.037398 . The assessment is calculated as:

(0.037398 x 2,200 sf) + (29.518 x 0.14 ac) = $86

Example 3

Assume a commercial property located in Benefit Zone AR, Flood Depth Zone 3, parcel size is 0.8 acres and building first-floor square footage is 6,200 square feet.

From Table 5-6, Parcel Rate = 53.024 and Building Rate = 0.097817. The assessment is calculated as:

(0.097817 x 6,200 sf) + (53.024 x 0.8 ac) = $649

TABLE 5-6: BUILDING AND PARCEL RATES BY LAND USE AND BENEFIT ZONE

	Benefit Zone	NB			NB-NALP			NS-NALP		
	AR/SR Flood Depth	0' to 5'	5' to 10'	GT 10'	0' to 5'	5' to 10'	GT 10'	0' to 5'	5' to 10'	GT 10'
	Flood Depth Zone	1	2	3	1	2	3	1	2	3
Land Use	Rate									
Single-Family Residential One Story (1) (3)	Parcel (per Acre) (2)	17.812	17.812	17.812	29.518	29.518	29.518	31.375	31.375	31.375
	Building (per Building Sq Ft)	0.014051	0.029806	0.033638	0.023285	0.049393	0.055744	0.024750	0.052500	0.059250
Single-Family Residential Two Story (3)	Parcel (per Acre) (2)	17.812	17.812	17.812	29.518	29.518	29.518	31.375	31.375	31.375
	Building (per Building Sq Ft)	0.011071	0.022567	0.028528	0.018346	0.037398	0.047276	0.019500	0.039750	0.050250
Condominiums -- second floor level or higher	Parcel (per Acre)	17.812	17.812	17.812	29.518	29.518	29.518	31.375	31.375	31.375
	Building (per Unit Sq Ft)	0.008516	0.018309	0.028528	0.014112	0.030342	0.047276	0.015000	0.032250	0.050250
Multi-Family Residential One Story (3)	Parcel (per Acre)	19.728	19.728	19.728	32.694	32.694	32.694	34.750	34.750	34.750
	Building (per Building Sq Ft)	0.014051	0.029806	0.033638	0.023285	0.049393	0.055744	0.024750	0.052500	0.059250
Multi-Family Residential Two Story (3)	Parcel (per Acre)	19.728	19.728	19.728	32.694	32.694	32.694	34.750	34.750	34.750
	Building (per Building Sq Ft)	0.011071	0.022567	0.028528	0.018346	0.037398	0.047276	0.019500	0.039750	0.050250
Commercial	Parcel (per Acre)	39.315	39.315	39.315	65.152	65.152	65.152	69.250	69.250	69.250
	Building (per FF Sq Ft)	0.035767	0.062095	0.072527	0.059272	0.102902	0.120190	0.063000	0.109375	0.127750
Industrial	Parcel (per Acre)	10.290	10.290	10.290	17.052	17.052	17.052	18.125	18.125	18.125
	Building (per FF Sq Ft)	0.026257	0.037257	0.048257	0.043513	0.061741	0.079970	0.046250	0.065625	0.085000
Vacant Residential	Parcel (per Acre)	8.587	8.587	8.587	14.230	14.230	14.230	15.125	15.125	15.125
	Building (per FF Sq Ft)	0	0	0	0	0	0	0	0	0
Vacant Commercial	Parcel (per Acre)	23.419	23.419	23.419	38.809	38.809	38.809	41.250	41.250	41.250
	Building (per FF Sq Ft)	0	0	0	0	0	0	0	0	0
Vacant Industrial	Parcel (per Acre)	4.755	4.755	4.755	7.879	7.879	7.879	8.375	8.375	8.375
	Building (per FF Sq Ft)	0	0	0	0	0	0	0	0	0
Agricultural	Parcel (per Acre)	1.774	1.774	1.774	2.940	2.940	2.940	3.125	3.125	3.125
	Building (per FF Sq Ft)	0.026257	0.037257	0.048257	0.043513	0.061741	0.079970	0.046250	0.065625	0.085000

(1) Includes condominiums on first floor level
(2) For large lot Single Family Residential parcels (parcel area greater than 0.5 acres) multiply area greater than 0.5 acre by Agricultural Parcel rate.
(3) Total Building SF not including garage area

TABLE 5-6: BUILDING AND PARCEL RATES BY LAND USE AND BENEFIT ZONE (CONTINUED)

	Benefit Zone	AR-NALP			AR			AR-SR	
	AR/SR Flood Depth	0' to 5'	5' to 10'	GT 10'	0' to 5'	5' to 10'	GT 10'	0' to 5'	5' to 10'
	Flood Depth Zone	1	2	3	1	2	3	1	2
Land Use	Rate								
Single-Family Residential One Story (1) (3)	Parcel (per Acre) (2)	35.729	35.729	35.729	24.024	24.024	24.024	37.642	37.642
	Building (per Building Sq Ft)	0.028185	0.059786	0.067473	0.018951	0.040199	0.045367	0.029693	0.062986
Single-Family Residential Two Story (3)	Parcel (per Acre) (2)	35.729	35.729	35.729	24.024	24.024	24.024	37.642	37.642
	Building (per Building Sq Ft)	0.022206	0.045267	0.057224	0.014931	0.030436	0.038476	0.023395	0.047689
Condominiums -- second floor level or higher	Parcel (per Acre)	35.729	35.729	35.729	24.024	24.024	24.024	37.642	37.642
	Building (per Unit Sq Ft)	0.017082	0.036726	0.057224	0.011485	0.024693	0.038476	0.017996	0.038691
Multi-Family Residential One Story (3)	Parcel (per Acre)	39.573	39.573	39.573	26.608	26.608	26.608	41.691	41.691
	Building (per Building Sq Ft)	0.028185	0.059786	0.067473	0.018951	0.040199	0.045367	0.029693	0.062986
Multi-Family Residential Two Story (3)	Parcel (per Acre)	39.573	39.573	39.573	26.608	26.608	26.608	41.691	41.691
	Building (per Building Sq Ft)	0.022206	0.045267	0.057224	0.014931	0.030436	0.038476	0.023395	0.047689
Commercial	Parcel (per Acre)	78.861	78.861	78.861	53.024	53.024	53.024	83.082	83.082
	Building (per FF Sq Ft)	0.071744	0.124555	0.145480	0.048238	0.083747	0.097817	0.075583	0.131221
Industrial	Parcel (per Acre)	20.641	20.641	20.641	13.878	13.878	13.878	21.745	21.745
	Building (per FF Sq Ft)	0.052669	0.074733	0.096797	0.035413	0.050248	0.065084	0.055488	0.078733
Vacant Residential	Parcel (per Acre)	17.224	17.224	17.224	11.581	11.581	11.581	18.146	18.146
	Building (per FF Sq Ft)	0	0	0	0	0	0	0	0
Vacant Commercial	Parcel (per Acre)	46.975	46.975	46.975	31.585	31.585	31.585	49.489	49.489
	Building (per FF Sq Ft)	0	0	0	0	0	0	0	0
Vacant Industrial	Parcel (per Acre)	9.537	9.537	9.537	6.413	6.413	6.413	10.048	10.048
	Building (per FF Sq Ft)	0	0	0	0	0	0	0	0
Agricultural	Parcel (per Acre)	3.559	3.559	3.559	2.393	2.393	2.393	3.749	3.749
	Building (per FF Sq Ft)	0.052669	0.074733	0.096797	0.035413	0.050248	0.065084	0.055488	0.078733

(1) Includes condominiums on first floor level
(2) For large lot Single Family Residential parcels (parcel area greater than 0.5 acres) multiply area greater than 0.5 acre by Agri
(3) Total Building SF not including garage area

TABLE 5-6: BUILDING AND PARCEL RATES BY LAND USE AND BENEFIT ZONE (CONTINUED)

	Benefit Zone	AR-SR-SSSG					AR-SSSG
	AR/SR Flood Depth	0' to 5'	5' to 10'		GT 10'		0' to 5'
	Flood Depth Zone	1	2		3		1
	SSSG Flood Depth	0' to 5'	0' to 5'	5' to 10'	0' to 5'	5' to 10'	0' to 5'
	Flood Depth Zone	1	1	2	1	2	1
Land Use	Rate						
Single-Family Residential One Story (1) (3)	Parcel (per Acre) (2)	42.632	42.632	42.632	42.632	42.632	29.014
	Building (per Building Sq Ft)	0.033630	0.069801	0.071336	0.078600	0.080135	0.022887
Single-Family Residential Two Story (3)	Parcel (per Acre) (2)	42.632	42.632	42.632	42.632	42.632	29.014
	Building (per Building Sq Ft)	0.026496	0.052892	0.054012	0.066578	0.067698	0.018032
Condominiums -- second floor level or higher	Parcel (per Acre)	42.632	42.632	42.632	42.632	42.632	29.014
	Building (per Unit Sq Ft)	0.020382	0.042867	0.043821	0.066329	0.067283	0.013871
Multi-Family Residential One Story (3)	Parcel (per Acre)	47.218	47.218	47.218	47.218	47.218	32.135
	Building (per Building Sq Ft)	0.033630	0.069801	0.071336	0.078600	0.080135	0.022887
Multi-Family Residential Two Story (3)	Parcel (per Acre)	47.218	47.218	47.218	47.218	47.218	32.135
	Building (per Building Sq Ft)	0.026496	0.052892	0.054012	0.066578	0.067698	0.018032
Commercial	Parcel (per Acre)	94.096	94.096	94.096	94.096	94.096	64.038
	Building (per FF Sq Ft)	0.085604	0.146052	0.148618	0.170003	0.172569	0.058259
Industrial	Parcel (per Acre)	24.628	24.628	24.628	24.628	24.628	16.761
	Building (per FF Sq Ft)	0.062844	0.088099	0.089171	0.113353	0.114425	0.042769
Vacant Residential	Parcel (per Acre)	20.552	20.552	20.552	20.552	20.552	13.987
	Building (per FF Sq Ft)	0	0	0	0	0	0
Vacant Commercial	Parcel (per Acre)	56.050	56.050	56.050	56.050	56.050	38.146
	Building (per FF Sq Ft)	0	0	0	0	0	0
Vacant Industrial	Parcel (per Acre)	11.380	11.380	11.380	11.380	11.380	7.745
	Building (per FF Sq Ft)	0	0	0	0	0	0
Agricultural	Parcel (per Acre)	4.246	4.246	4.246	4.246	4.246	2.890
	Building (per FF Sq Ft)	0.062844	0.088099	0.089171	0.113353	0.114425	0.042769

(1) Includes condominiums on first floor level
(2) For large lot Single Family Residential parcels (parcel area greater than 0.5 acres) multiply area greater than 0.5 acre by Agricultural Parcel rate.
(3) Total Building SF not including garage area

Example 4

Assume an industrial property located in Benefit Zone AR-SR, Flood Depth Zone 1, parcel size is 1.75 acres and building first floor square footage is 14,000 square feet.

From Table 5-6, Parcel Rate = 21.745 and Building Rate = 0.055488. The assessment is calculated as:

(0.055488 x 14,000 sf) + (21.745 x 1.75 ac) = $815

Example 5

Assume a one story single-family residential property located in Benefit Zone AR-SR-SSSG, Flood Depth Zone for AR-SR is 2, Flood Depth Zone for SSSG is 1, parcel size is 0.17 acres and building square footage is 1,550 square feet.

From Table 5-6, Parcel Rate = 42.632 and Building Rate = 0.069801. The assessment is calculated as:

(0.069801 x 1,550 sf) + (42.632 x 0.17 ac) = $115

5.6 SPECIAL PROCEDURES

Condominiums. Condominium unit owners typically have an undivided interest in the structure "shell." Condominium units located on the first floor were assessed for damages to structure and contents. In flood depths 0 to 5 feet and 5 to 10 feet, condominium units on the second floor or higher were assessed for structure damages only. In the greater than 10 feet flood zone, condominium units on second floor were assessed for structure and content damages while units above the second floor were assessed for structure damages only. The land damage benefit is allocated to the common parcel owned by the condominium's homeowner association.

Public Parcels. Consistent with the requirements of Proposition 218, all publicly owned parcels are assessed proportionately to the special flood damage reduction benefit they receive from the improvements. That is, public parcels are treated the same as privately owned parcels for assessment calculation purposes. As shown in Appendix D, County Assessor's land use codes were used to classify privately owned properties into land use categories (e.g., single-family residential, multi-family residential, commercial, industrial, and corresponding vacant categories). For public parcels, however, the Assessor's land use codes only designate the type of public ownership. Therefore, to calculate assessments for these parcels, a land use category was assigned to each public parcel based on its current use.

Minimum Assessments. The minimum annual assessment will be $1.50 to reflect SAFCA's cost to administer the Assessment District roll. All annual assessments calculated to be less than $1.50 will be raised to the $1.50 minimum.

Updating Assessment Rolls. Recalculating assessments on an annual basis would accommodate changes in the Consolidated District over time. These changes can result from development activity such as recordation of subdivision maps, zoning changes, conditional use permits, and lot splits. An increase in building square footage, placement of a structure on an undeveloped parcel, or other such changes would trigger a recalculation of the assessment on the underlying property.

It is recognized that when dealing with the thousands of parcels that will be part of the Consolidated District, using information from the Sacramento County Assessor's Office as the primary source of data for individual parcel characteristics may lead to some errors and some circumstances that do not precisely fit the intent of the new district. Where such circumstances are discovered, either by the persons administering the Consolidated District or by the owners of the properties affected, the Executive Director of SAFCA (or his designee) shall review such circumstances. The Executive Director (or his designee) shall determine if corrections or adjustments are appropriate, any such corrections or adjustments being consistent with the concept, intent and parameters of the Consolidated District as set forth herein. Unless such proposed changes are appealed to the SAFCA Board of Directors, they will be incorporated into the assessment roll.

5.7 ELIMINATION OF EXISTING ASSESSMENT DISTRICTS

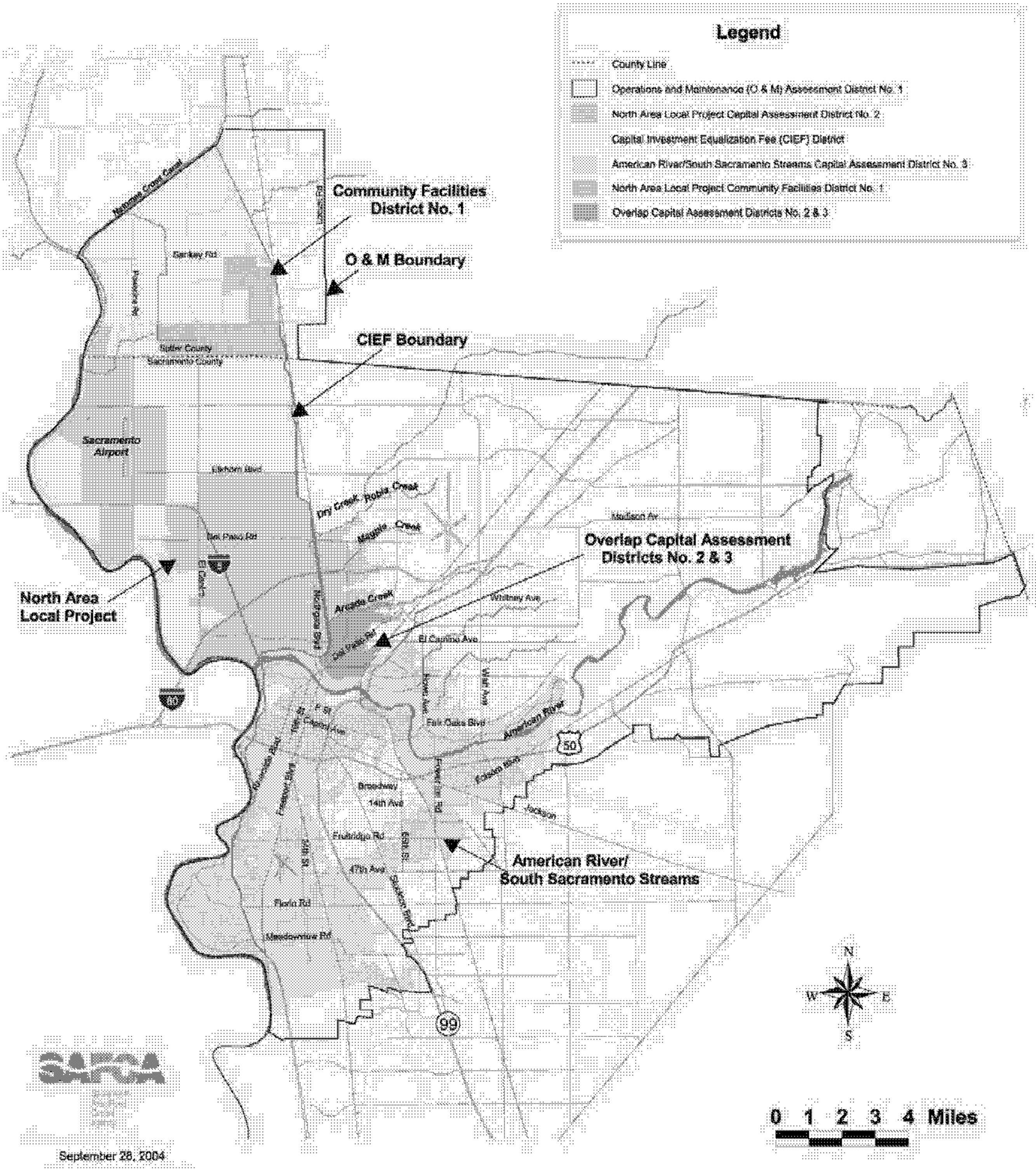
The Consolidated District would eliminate and replace SAFCA's two existing capital assessment districts: the North Area Local Project Capital Assessment District No. 2 (District 2) and the American River/South Sacramento Streams Group Capital Assessment District No. 3 (District 3). See Figure 5-4. Both of these are special benefit assessment districts.

SAFCA's existing Operations and Maintenance Assessment District No. 1 (District 1) provides for the Agency's planning and administration activities and for operations and maintenance costs associated with completed projects. District 1 will continue to exist and is not affected by the potential formation of the Consolidated District.

District 2 was created by the SAFCA Board in 1995 prior to the passage of Proposition 218. It funded the cost of the improvements needed to protect the Natomas basin and portions of the North Sacramento floodplain east of the basin from a "200-year" flood along the lower American River, Dry Creek, Arcade Creek and the Natomas East Main Drainage Canal. These improvements were funded primarily through the issuance of bonds totaling approximately $46 million in 1995 and 1996. Additional funding has come from Federal and State reimbursements ($22 million); development fees ($4 million); interest earnings ($4.5 million); and a lump sum contribution from the Sacramento International Airport ($8.2 million). Altogether, approximately $89 million has been spent to accomplish the objectives of the North Area Local Project. The 1995 and 1996 bonds were refinanced in 2005 with an outstanding principal balance of $34.5 and annual debt service payments of $2.8 million due through 2025. If the Consolidated District is formed, this debt would be refinanced and the repayment period extended to 2037 consistent with the life of the district. This would reduce the annual debt service payments to $2.2 million. These payments would be assigned to the properties that currently make up District 2 and that continue to benefit from the accomplishments of the North Area Local Project, excluding the Airport which paid its share of the cost of the project in a lump sum.

District 3 was formed in 2000 following a mail balloting process conducted under the requirements of Proposition 218. District 3 has funded the local share of the cost of the

FIGURE 5-4: SAFCA ASSESSMENT DISTRICTS



improvements needed to provide at least a 100-year level of flood protection to the areas outside of Natomas that were subject to flooding from the American River and the South Sacramento Streams Group. Because of the availability of Federal and State cost sharing, District 3 has been able to provide the local share of the cost of improving the levees along the American River and the South Sacramento Streams Group and initiating the design of improvements to Folsom Dam without having to issue bonds. As a result of this work, approximately 60 percent of the parcels in District 3 were removed from the federally regulated 100-year floodplain in 2004 and another 35 percent are likely to be removed in March 2007. The remaining 5 percent of the parcels are expected to be removed over the next three to five years. Thus, District 3 has largely accomplished its primary objective. This has involved expenditures of approximately $220 million, of which the local contribution has been approximately $34 million.

Two public agencies, Department of General Services, State of California, and Sacramento Regional Transit District, prepaid their District 3 assessment on certain parcels as a lump sum. If the Consolidated District is formed, District 3 will be replaced and eliminated half-way through its authorized life. In that event, the assessments on the specific parcels affected by the prepayments will be reduced to reflect one-half of the prepayment amounts and the assessment-weighted ballots for these parcels will likewise reflect this reduction. State and Regional Transit parcels in the Consolidated District that were not part of the lump sum prepayment for District 3 will be assessed without adjustment.

Replacement of Districts 2 and 3 by the proposed Consolidated District will result in elimination of the annual assessments associated with Districts 2 and 3 and replacement with the new assessment described in this Engineer's Report. Thus, within these existing districts, the new assessment will represent a net change rather than a cumulative increase in assessments. Table 5-7 presents a comparison of the average net increase for single family residential (SFR) parcels across all eight benefit zones and for the entire Consolidated District. Table 5-8 provides a comparison of the average net change in commercial assessments per 1000 square feet (SF) of building area for all eight benefit zones and for the entire Consolidated District. Table 5-9 contains a similar comparison for industrial assessments per 1,000 SF of building area.

TABLE 5-7: AVERAGE SINGLE FAMILY RESIDENTIAL ASSESSMENTS

				Existing Assessments			
Benefit Zone	**No. of Stories**	**No. SFR Parcels**	**Average Assessment**	**District 2**	**District 3**	**Total**	**Net Change**
NB	1	65	$78	$0		$0	$78
	2	6	$100	$0		$0	$100
NB-NALP	1	13,236	$77	$64		$64	$13
	2	10,660	$92	$63		$63	$29
NS-NALP	1	3,761	$55	$51		$51	$4
	2	668	$63	$53		$53	$10
AR-NALP	1	3,338	$53	$5	$16	$21	$32
	2	297	$58	$6	$16	$22	$36
AR	1	36,424	$37		$16	$16	$21
	2	8,446	$39		$13	$13	$26
AR-SR	1	11,028	$60		$17	$17	$43
	2	3,393	$75		$18	$18	$57
AR-SR-SSSG	1	17,301	$99		$40	$40	$59
	2	4,618	$141		$40	$40	$102
AR-SSSG	1	4,682	$35		$15	$15	$20
	2	1,378	$33		$11	$11	$23
Total District	**1**	**89,835**	**$59**			**$29**	**$29**
	2	**29,466**	**$79**			**$37**	**$42**
	All SFR	**119,301**	**$64**			**$31**	**$33**

TABLE 5-8: AVERAGE COMMERCIAL ASSESSMENTS (PER 1000 SF OF BUILDING AREA)

			Existing Assessments			
Benefit Zone	**No. Commercial Parcels**	**Average Assessment per 1000 SF of Building Area**	**District 2**	**District 3**	**Total**	**Net Change**
NB	4	$479	$0		$0	$479
NB-NALP	578	$118	$124		$124	($6)
NS-NALP	68	$111	$74		$74	$37
AR-NALP	297	$116	$3	$26	$29	$87
AR	1,641	$66		$21	$21	$45
AR-SR	1,572	$100		$28	$28	$72
AR-SR-SSSG	189	$147		$61	$61	$86
AR-SSSG	55	$69		$37	$37	$32
Total District	**4,404**	**$93**			**$40**	**$53**

TABLE 5-9: AVERAGE INDUSTRIAL ASSESSMENTS (PER 1000 SF OF BUILDING AREA)

			Existing Assessments			
Benefit Zone	**No. Industrial Parcels**	**Average Assessment per 1000 SF of Building Area**	**District 2**	**District 3**	**Total**	**Net Change**
NB	1	$54	$0		$0	$54
NB-NALP	172	$69	$54		$54	$15
NS-NALP	99	$65	$35		$35	$30
AR-NALP	145	$74	$1	$20	$21	$53
AR	911	$41		$11	$11	$30
AR-SR	224	$67		$19	$19	$48
AR-SR-SSSG	22	$68		$27	$27	$41
AR-SSSG	19	$44		$22	$22	$22
Total District	**1,593**	**$53**			**$19**	**$34**

6.0 CONCLUSIONS

It is concluded that the proposed new assessments do not exceed the special benefit received by the properties assessed over and above the benefits conferred on the public at large. It is also concluded that the amount of each assessment is proportional to, and no greater than, the special benefits conferred on each property assessed.

REGISTERED PROFESSIONAL ENGINEER
ROBERT J.
CERMAK
No. C31524
Exp. 12-31-08
CIVIL
STATE OF CALIFORNIA

By: Robert J. Cermak, P.E.
PB

7.0 SCHEDULE

In order to have Fiscal Year 2007-08 assessments collected on the Sacramento County and Sutter County tax bills, the assessment roll for the Consolidated District must be endorsed and filed with the County Auditor/Tax Collector no later than August 15, 2007. A schedule to meet this requirement is as follows:

Date	Event
February 13, 2007	Engineer's Report filed and delivered to Board
February 15, 2007	Board Meeting/Public Hearing on the Consolidated District: Board Action: Adopt Resolution of Intention to undertake a special capital assessment proceeding for the formation of the Consolidated District, Board Action: Adopt resolution tentatively approving the Engineer's Report and fixing the date, time and place for a public hearing to consider formation of the Consolidated District. Board Action: certify FEIR for the flood control improvements that would be financed by the Consolidated District.
March 2, 2007	Clerk of the Board mails notice of hearing and assessment district ballots.
March 5 to 15, 2007	SAFCA presents Community Workshops on the Consolidated District.
April 19, 2007	Board Meeting/Public Hearing on formation of the Consolidated District: Open public hearing Opportunity for property owners to cast ballot or change ballot Consider any protests lodged against the Consolidated District Determine whether any modifications need to be made to Engineer's Report Close public hearing Direct Clerk of Board to tabulate the assessment ballots Adjourn Board meeting to allow the Clerk time to tabulate the ballots, including any submitted at the hearing.
April 26, 2007	Reconvene Board meeting: Board Action: Receive and certify ballot tabulation Board Action: Assuming no majority protest, adopt Resolution Confirming Engineer's Report (including any modifications to the report); ordering formation of the Consolidated District and the levy and collection of assessments, and the sale of bonds as necessary to implement the project
August 15, 2007	If Consolidated District is formed, assessment roll transmitted to Sacramento County and Sutter County Auditor/Tax Collector for inclusion on County tax bills.
October 31, 2007	Final day for property tax bills to be mailed.

8.0 REFERENCES

California Department of Water Resources, Division Management, map of the American River, Sacramento, Estimated Potential Flood Depths, August 1993.

Parsons Brinckerhoff Quade & Douglas, Inc., *Engineer's Report for SAFCA Operation and Maintenance Assessment for Assessment District No. 1*, June 20, 1991.

Sacramento Area Flood Control Agency, *Final Environmental Impact Report on Local Funding Mechanisms for Comprehensive Flood Control Improvements for the Sacramento Area*, Draft EIR Volumes I and II, and Final EIR Responses to Comments and Revisions to the Draft EIR (SCH # 2006072098), January 2007.

Sacramento Area Flood Control Agency Act, West's Ann. Cal. Water Code App., Chapter 130, 1990.

US Army Corps of Engineers, Sacramento District, *American River Watershed Investigation, California: Feasibility Report*, Parts I and II, Volumes 1 through 8, Appendixes A through T, December 1991.

US Army Corps of Engineers, *San Joaquin River Basin, South Sacramento County Streams Investigation, California: Final Feasibility Report, Main Report*, March 1998.

APPENDIX A: BASE LAND VALUE APPRAISAL REPORT (O&M ASSESSMENT DISTRICT)

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Base Land Value Appraisal Report
SAFCA Assessment District No. 1

BASE LAND VALUE APPRAISAL REPORT
SAFCA ASSESSMENT DISTRICT NO. 1

PURPOSE

To provide appraisal services to establish base land values for various land use categories within SAFCA Assessment District No. 1 (District) area of influence in Sacramento County and a portion of South Sutter County.

This report and recommendation of base land values specifically addresses the following points:

1. All parcels within the District have been classified and valued for use in the benefit assessment process by county assessor's parcel number.
2. The respective base values will bear a relationship to the property area, usage and zoning as reflected in the classification system.
3. The valuation methodology will apply equally to all properties.
4. The benefit relationship as it applies to individual parcels will be administered by the District and is not addressed in this report.
5. The base value estimates consider land alone, exclusive of any building improvements.
6. The base value recommendations for each land area classification are not representative of fair market value.

LAND APPRAISAL SERVICES

General

The purpose of this report is to provide valuation data relative to the lands within the District that can be utilized by the Assessment Engineer and reviewed by the Valuation Assessment Commissioners.

The work required to prepare the requested information was completed in the following sequence:

Scope of Work

Task 1 – All Impacted Parcels Have Been Identified
Task 2 – Locations of Impacted Parcels Have Been Determined
Task 3 – The Land Use Codes Established by the Respective County Assessor's Office Have Been Analyzed by Location and Number of Parcels
Task 4 – Base Land Values by Land Use and Use Code Categories Have Been Established By Market Data Analysis
Task 5 – A Land Value Report Has Been Prepared and Transmitted to the Assessment Engineer
Task 6 – Appraisal Staff of Dutra Appraisal Service Has and Will Continue to Attend Meetings
Task 7 – Dutra Appraisal Service Staff Will Plan To Advise and Review Issues Related to Disputed Values

Task 1 - Listing of Impacted Parcels

The Assessment Engineer has provided the appraiser a current listing of all parcels that are being impacted by the formation of the proposed assessment District. This listing included the following information:

A. Parcel Number in accordance with the respective County Tax Assessor offices.
B. Parcel land use code, parcel size and zoning. The land use categories being used are five in number as follows:

    1. Agricultural
    2. Commercial
    3. Industrial
    4. Residential
    5. Miscellaneous

C. Size of parcel in acreage or by square footage for all parcels.

Task 2 - Locations of Impacted Parcels

The Assessment Engineer has provided locations of all parcels. Said identification was by assessor parcel number and County Assessor's parcel maps.

Task 3 - Development of General Land and Use Code Value Categories

The appraiser has reviewed the existing land use and use code categories. This review included a study of market transactions for the 30-month period of July 1988 to December 1990. The resulting analysis indicated the following land use categories:

Number	Classification	Sub-Classification
1	Agricultural	A 1-6
2	Commercial	C 1-10
3	Industrial	I 1-3
4	Residential	R 0-11
5	Miscellaneous	Code based on predominant use of above classifications

The general use category and sub classification value system has been applied on a per-square-foot-of-land-area basis.

Task 4 - Development of Land Values by Land Use Classification

The appraiser/consultant has employed recognized real estate appraisal techniques to: -

A. Develop a consistent and logical land use classification system with application to the specific task at hand.

B. The principal basis of said classification system is a reflection of the market activity on lands within the confines of the District.
C. The city and county use code were adhered to in the District valuation.
D. An analysis of property size, particularly those parcels less than one acre, was conducted to ascertain proper and meaningful value estimates. All properties were valued on the basis of total square feet as determined by the County Assessor's Office or the Assessment Engineer.
E. Sales data within the District was collected and analyzed. Said data determined the assigned value for each land classification.
F. Upon completion of this sales analysis, unit values were assigned to each land classification. Value codes were based upon a per-square-foot basis. It was the appraiser's goal to insure a consistent and uniform application of the unit values within and between each class and category of property.

Task 5 - Prepare and Issue Reports

The appraiser has prepared and transmitted a valuation report that sets forth the methodology used in arriving at the selected land values by land use category. Said document is identified as the Base Land Value Appraisal Report. This report includes a "Property Inventory Listing." This listing is arranged in parcel number order. the significant entries include the following:

Parcel Number
Parcel Size
Classification
Use Code, Value Code
Property Value

Task 6 - Attend Meetings/Coordination

To maintain a consistency of action with other participants in the project, the appraiser has and will continue to attend the working committee meetings and most public meetings to be conducted in accordance with the District Assessment Requirements.

Task 7 - Advise and Review Issues Related to Disputed Values

The appraiser will be available to advise and review problems that develop due to errors of Area, Mapping, and Valuation issues. This service will apply to the current "Property Inventory Listing."

VALUATION METHODOLOGY

To facilitate and simplify the process of valuing the property encompassed within the District and to provide the assessment data, three significant property characteristics were analyzed to develop a consistent valuation approach in an interrelated pattern as follows:

1. Use Code

   The use code as determined by the Sacramento and Sutter County Assessors' office was used in the valuation process. In the instance where the use code differs from the zoning, as of March 1, 1990, the appraiser relied most heavily upon the use code classification.

2. Location

   Land values are greatly influenced by the parcel location within the District. This was taken into account in determining the base land values.

3. Parcel Size

   The parcel size in conjunction with the value code determined the base land value used in the valuation process.

The value sought in this analysis is based upon commonly accepted principles of real estate appraising in deriving fee simple market value. The exception of this principle is that the value derived is not market value for any one parcel of land being valued. The primary purpose of this phase is the establishment of value relationships between the various property classifications.

This value relationship is applicable to all of the properties within the District, i.e., approximately 303,600 parcels of land.

The estimation of a property's value involves a systematic process in which the appraisal problem is defined and the data required is gathered, analyzed and interpreted into an estimate of value. Traditionally, three methods of valuation have been used in appraising: the cost, market and income approaches.

However, due to the nature and purpose of the property being appraised, the cost and income approaches to value will not be utilized. This places the emphasis upon the market data approach to value.

The market data approach involves the comparison of the property or class of properties to similar properties that have been recently sold or that are offered for sale. These sales are reviewed for differences such as the date of sale, location of the site, physical characteristics, density, utility of use and other factors. The comparable properties are then adjusted to formulate a value range to the property being appraised.

The final step in the valuation approach is the estimate of the final value based upon the market activity and estimated future worth of that particular class of property as determined by the sales analysis.

The value estimate indicated by this approach is then reconciled into a final value conclusion for each class of property being valued within the SAFCA District.

The valuation process is based upon a six-part procedure:

1. County Assessor map books, ownership list and parcel data is furnished to the appraiser by the Assessment Engineer.
2. Sales data for the latest thirty-month period in a book, use code and parcel number listing is analyzed by the appraisal staff. Supplementing this source of information are the sales files of Dutra Apraisal Service. Said data has been analyzed in both a field and office situation to assist the appraiser in establishing the general level of value for the area.
3. The appraiser has determined the appropriate value code, reflecting the general characteristics of the property. The representative value for this code is applied to the square footage of each parcel by the Assessment Engineer and reviewed and confirmed by the Appraiser.
4. At the appraiser's discretion, audits of specific properties or use code types will be conducted to test the consistency and reliability of the value findings.
5. Based upon the test results, the original value submission may be changed or errors discovered in the process will be corrected.
6. At the conclusion of the testing period, values will be finalized.

The value codes and property values are organized on a general use concept as follows:

All Agricultural Properties

Value Codes		
A-1	$ .10/SF	$ 5,000/Acre
A-2	$ .25/SF	$10,750/Acre
A-3	$ .50/SF	$21,750/Acre
A-4	$1.00/SF	$43,500/Acre
A-5	$1.50/SF	$65,000/Acre
A-6	$2.00/SF	$87,120/Acre

Agricultural properties are found in the northern and southern areas of the District. The lower values are for those properties most remote from urban development having marginal potential for further development.

All Commercial Properties

C-1 - \$ 2.00/SF
C-2 - \$ 4.00/SF
C-3 - \$ 7.00/SF
C-4 - \$ 10.00/SF
C-5 - \$ 15.00/SF
C-6 - \$ 25.00/SF
C-7 - \$ 40.00/SF
C-8 - \$ 70.00/SF
C-9 - \$100.00/SF
C-10- \$150.00/SF

Commercial properties are distributed throughout the District. The greatest concentration is in downtown Sacramento, but there are shopping centers, commercial strips, and isolated commercially used property almost everywhere.

The lower C-1 and C-2 value codes were applied to those properties located in marginal areas, i.e., "Mom and Pop" operations in disadvantaged neighborhoods. The highest, C-8, C-9 and C-10, value codes were limited to high-density multi-story properties in downtown Sacramento. The mid-range value codes were used in the shopping centers and commercial strip areas.

All Industrial Properties

M-1 - \$1.50/SF
M-2 - \$3.00/SF
M-3 - \$5.00/SF

Industrial use properties are found throughout the area. The lowest values for industrial land were found in the vacant industrial areas and where the industrial complex was sparsely developed over a large site. The highest value code was used in those areas of built-up planned industrial parks and in those industrial areas in transition to commercial use.

All Residential Properties

R-0 - \$ 1.00/SF
R-1 - \$ 2.00/SF
R-2 - \$ 3.00/SF
R-3 - \$ 4.00/SF
R-4 - \$ 5.00/SF
R-5 - \$ 6.00/SF
R-6 - \$ 7.00/SF
R-7 - \$ 8.50/SF
R-8 - \$10.00/SF
R-9 - \$12.50/SF
R-10 - \$15.00/SF
R-11 - \$25.00/SF

The lower value codes are predominate in areas of large parcel size properties or disadvantaged neighborhoods, or in areas removed from urban influences. The mid-range of value codes were scattered throughout the District and are representative of the majority of residential property. The extreme upper value codes are limited to quality condominium and planned unit developments characterized by small parcel sizes.

All Miscellaneous Properties

The value code for miscellaneous properties is based upon the predominate uses within the location or neighborhood of the property being valued.

A percentage of the district properties is exempt from property taxes; these include but are not limited to city, county, state and federally owned and used property, school and fire district property, some religious properties and non-useable types of property. This report similarly exempts those properties. However, they are listed to maintain an accurate inventory of the properties present within the district.

A second class of properties owned by the utilities, railroads and communication companies is included within this report. These properties are listed in County Assessor parcel order with the other district parcels. However, the property valuation has been established by the California State Board of Equalization as represented on the 1990-1991 Sacramento and Sutter County Property Tax Roll.

In summary, The Land Value Report emphasizes a consistency of valuation theory as it applies to all of the property, subject to benefit assessments within the District. These valuations do not represent market value for any one particular parcel.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report and valuation contained herein are expressly subject to the following assumptions and/or conditions:

1. Title to the property is marketable.
2. No survey of the property has been made and property lines (actual or proposed) as they appear on the ground are assumed to be correct.
3. Data, maps and descriptive data furnished by the client or his representative are accurate and correct.
4. No responsibility is assumed for matters of law or legal interpretation.
5. No conditions exist that are not discoverable through normal, diligent investigation, which would affect the use and value of the property.
6. No responsibility is assumed for building permits, zone changes, engineering or any other service or duty connected with legally utilizing the respective properties.
7. The appraisal has been prepared on the premise that there are no emcumbrances or other matters not of record prohibiting the utilization of the property under the governmental use code.
8. The estimate of value is subject to the purpose and date of appraisal outlined in the Engineer's Report.
9. The estimate of value is based upon information and data from sources believed reliable, correct and accurately reported.
10. The appraisal and report of the appraisal are to be considered in their entirety and use or dissemination of only a portion thereof without prior approval of the preparer and appropriate qualification will render them invalid.
11. Except as otherwise provided, possession of this report or a copy thereof, does not carry with it the right of publication or its use by other than the client or for purposes other than those for which it was prepared.
12. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the project described herein unless prior arrangements have been made.

CERTIFICATION

The staff of Dutra Appraisal Service is the originator of the parcel values as contained in the "property inventory listing." No individual site inspections were conducted other than random "field" drive-by viewing. This technique is characteristic of mass appraising.

I, the undersigned, do hereby certify that, except as otherwise noted in this appraisal report:

1. We have personally inspected the properties within the district which are the subject of this valuation report as in the manner noted above.
2. We have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
3. The professional fee for the appraisal service rendered is dependent solely upon completion of the service evidenced by delivery of this report and is in no way contengent upon the conclusion or value estimate reported.
4. To the best of our knowledge and belief the statement of fact contained in this appraisal report, upon which the analysis, opinions and conclusions expressed herein are based, are true and corect.
5. This appraisal report sets forth all of the limiting conditions (imposed by the terms of the assignment or by the undersigned) affecting the analysis, opinions and conclusions contained in this report.
6. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards for Professional Conduct of the Appraisal Institute.
7. Appraisal Institute conducts a voluntary program of continuing education for its designated members. SRPA's who meet the standards of this program are awarded periodic educational certification. The undersigned, Alan J. Dutra, SRA, SRPA, is currently certified.
8. No appraisal firm other than the undersigned prepared the analysis, conclusions and opinions concerning the property valuations set forth in the property inventory listing.

Alan J. Dutra

Alan J. Dutra, SRA, SRPA

MARCH 1, 1991

Date

EXHIBIT A

VALUATION CODES

Land Use	Appraisal Code	Code Value ($/Acre)
Agricultural	A1	5,000
	A2	10,750
	A3	21,750
	A4	43,500
	A5	65,000
	A6	87,000

Land Use	Appraisal Code	Code Value ($/Square Foot)
Residential	R0	1.00
	R1	2.00
	R2	3.00
	R3	4.00
	R4	5.00
	R5	6.00
	R6	7.00
	R7	8.50
	R8	10.00
	R9	12.50
	R10	15.00
	R11	25.00
Commercial	C1	2.00
	C2	4.00
	C3	7.00
	C4	10.00
	C5	15.00
	C6	25.00
	C7	40.00
	C8	70.00
	C9	100.00
	C10	150.00
Industrial	M1	1.50
	M2	3.00
	M3	5.00

APPENDIX B: COUNTY OF SACRAMENTO ASSESSOR'S LAND USE CODES

Title: Land Use Codes

1. PURPOSE

To describe the procedure for assigning use codes to parcels of land in Sacramento County.

2. DEFINITION

A use code is a 6-digit alphanumeric code assigned to every parcel in the County by the Assessor's Office. This code usually describes the existing use of each property. If the property is vacant, or the improvements have little or no value, the use code describes the anticipated use based on the zoning of the property.

The term 'use code' is not the same as zoning. Zoning is a code which is assigned to property by a planning department rather than the Assessor's Office and describes the permitted use of a property, rather than the existing or anticipated use.

3. POLICY

A. Every parcel in Sacramento County shall be assigned a use code.

B. Use codes shall describe the actual use of improved property or the proposed use of vacant property.

C. Use codes shall be based on the primary use of the property.

D. Use codes on parcels in economic units (other than multi-family dwellings on more than one parcel) shall be assigned as follows:

1. Use codes shall be based on the primary use of the economic unit.
2. The use code of the primary parcel shall describe the actual use of the property with the last character reflecting the number of parcels in the economic unit.
3. Use codes on all other parcels in the economic unit shall contain the same first and second characters as the primary parcel. These shall be followed by three zeroes and end with the number of parcels in the economic unit.

E. Use codes shall be assigned to multi-family dwellings on more than one parcel as follows:

1. The parcel with the greatest number of dwelling units shall be designated as the prime parcel.
2. The use code of the prime parcel shall reflect the total number of dwelling units in the economic unit.

3. Use codes on the remaining parcels of the economic unit shall reflect a dwelling count of zero.

4. USE CODE SYSTEM

This section describes use codes and general land uses.

A. There are six digits in each use code. The first digit (on the left) always represents the General Land Use of the parcel. The meaning of digits two through six vary depending on the type of general land use.

B. The various types of General Land Uses are shown in the list below. For further explanation of use codes for each of the General Land uses, refer to the appropriate pages of this Manual Section.

General Land Use	Code	For further reference, see page
Residential	A	4 - 7
Retail Commercial	B	8 - 10
Office	C	10 - 11
Personal Care & Health	D	12
Church & Welfare	E	13
Recreational	F	14 - 15
Industrial	G	16 - 17
Agricultural	H	18 - 19
Vacant	I	20 - 21
Miscellaneous	M	22
Public/Utilities	W	23 -24

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1 General Land Use	2 Specific Land Use	3 Occupancy	4 (not used)	5 Secondary Use	6 Character of Use①
A Residential dwelling unit	1 - Single family	A - Subdivision	0	Indicate any secondary use by using General Land Use Codes	A - Most probable
		B - Non-subdivision			B - Under improvement
		C - Rural home site (under 2 acres)	0		C - Over improvement
					E - Unfinished
		D - Rural home site (2 to 5 acres)	0	Use 'M' for a miscellaneous improvement	H - Historical property
					P - Permit entered
		E - Rural home site (over 5 acres & primary use is res)	0	If no secondary use, use '0'	...OR
			0		
		F - Condominium			Parcel Grouping
		G - Planned Unit Development	0	↓	Indicate number of parcels in an economic unit. If 10 or more parcels, use 'X'
		H - Row house	0		
		J - Half-plex		↓	
			0		
	2 - Two family	A - 2 single family units		↓	↓
		B - Duplex	0		
				↓	↓
	3 - Three family	A - 3 single family units	0		
		B - 1 single family unit, 1 duplex		↓	↓
			0		
		C - Triplex		↓	↓
			0		
	4 - Four family	A - 4 single family units		↓	↓
		B - 1 single family unit, 1 triplex	0	↓	↓
		B - 2 single family units, 1 duplex	0	↓	↓
		D - 2 duplexes	0		
		E - Fourplex		↓	↓

(continued on Page 5)

1 General Land Use	2 Specific Land Use	3 Dwelling Unit Count	4 Dwelling Unit Count	5 Secondary Use or Dwelling Unit Count	6 Character of Use①
A Residential dwelling unit	D - Res Conversion	Hundred's digit	Ten's Digit	One's digit	A - Most probable B - Under improvement
	E - Low rise apartment (less than 4 stories)②	↓	↓	↓	C - Over improvement D - Gov't subsidized apt (HUD 236, etc.)
	F - High rise apartment (4 or more stories)③	↓	↓	↓	E - Unfinished H - Historical property P - Permit entered
	G - Court (More than 4 units.)	↓	↓	↓	OR
	H - Mobile home park				
	J - Hotel	↓	↓	↓	<u>Parcel Grouping</u>
	K - Boarding house				Indicate number of parcels in an economic unit. If 10 or more parcels, use 'X'
	L - Rooming house	↓	↓	↓	
	M - Sorority or fraternity house				
	N - Motel	↓	↓	↓	↓
	Q - Common area (condo/PUD)	↓	↓	↓	↓
	R - Bed & breakfast inn				

(continued on Page 6)

	1 General Land Use	2 Specific Land Use	3 Location & Ownership	4 (not used)	5 Secondary Use	6 Character of Use①
A	Residential dwelling unit	T - Mobile home (MH)	A - MH on leased land in MH park	0	Indicate any secondary use by using General Land Use Codes Use 'M' for a miscellaneouse improvement. If no secondary use, use '0'	A - Most probable B - Under improvement C - Over improvement E - Unfinished H - Historical property P - Permit entered OR Parcel Grouping Indicate number of par-cels in an economic unit. If 10 or more par-cels, use 'X'
			B - MH on private land in MH park; MH & land under same ownership	0		
			C - MH on private land not in MH park; MH & land not under same ownership	0		
			D - MH on private land not in MH park; MH & land not under same owners-hip	0		
			F - MH on permanent founda-tion on private land; usually MH & land under same ownership; regular APN used	0		

① Use the following priority to determine the sixth digit of the use code:
1st: E or P code   2nd: H code   3rd: Parcel grouping   4th: A, B, or C code

② Use the following priority to determine the fifth digit of the use code:
1st: Dwelling unit count   2nd: Secondary use. Indicate any secondary use by using General Land Use codes.

③ Parking levels & basements are not considered stories.

Prime Parcel Use Code	Secondary Parcel Use Code	Description
A1A00A		Single-family dwelling in a subdivision, the most probable use of the site.
A1B0CA		Single-family dwelling on 1/2 acre not in a subdivision. Owner operates an income tax service in the converted garage. The most probably use is single-family residential.
A1E0HE		Single-family dwelling on seven acres. Owner boards horses for people who live in the city. A new swimming pool is under construction.
A1G00A		Single-family dwelling in a planned unit development, the most probable use of the site.
A1J00A		Single-family dwelling on its own parcel but has common wall with dwelling on adjacent parcel (a halfplex).
A2B00C		Two family duplex, an overimprovement for the neighborhood and the site.
A4E00A		Four-family "quadplex," the most probably use of the site.
AD0042	AD0002	Victorian mansion, formerly a single-family residence. Now converted to four efficiency apartments. Note that only the prime parcel is coded with a "4" as the 5th digit; the secondary parcel is coded with a '0' as the 5th digit. Also note that the 6th digit of both parcels is coded "2", indicating that there are two parcels in the economic unit.
AE125A		Three-story apartment house with 125 units, located on one parcel, the most probably use of the site.
AE125X	AE000X	Three-story apartment house with 125 units, located on 15 parcels. Only the prime parcel is coded with the unit count of "125", while all the remaining parcels are coded with unit counts of "000". The 6th digit is coded "X", indicating that there are 10 or more parcels in the economic unit.
AG020B		Twenty cottage-type units in a court, an underimprovement for the site.
AH255X	AH000X	Mobile home park with spaces for 255 mobile homes. The use code for only the prime parcel is coded with the unit count of "255". The 'X" as the 6th digit indicates that there are 10 or more parcels in the economic unit.
AJ095B		Ninety-five rental units in a hotel, an underimprovement for the site.
AM000C		A fraternity has remodeled a large home into a meeting and recreation complex for its members, an overimprovement for the site.
AN456A		A motel with 456 rentable units, the most probable use for the site.
AQ000A		Common area for condominiums (or planned unit development).
ATC00B		Mobile home on private land not in a mobile home park, an underimprovement for the site.

1 General Land Use	2 Specific Land Use	3 Occupancy	4 (not used)	5 Secondary Use	6 Character of Use①
B - Retail -	A - Small retail	A - Single tenant	0	Indicate any secon-	A - Most probable
Commercial		B - Multi-tenant		dary use by using	B - Under improvement
		C - Convenience store	0	General Land Use	C - Over improvement
		X - Condominium		Codes	E - Unfinished
		Y - Planned Unit Development	0		H - Historical property
				Use 'M' for a	P - Permit entered
	B - Store/Office	A - Single tenant	0	miscellaneous	
	combo	B - Multi-tenant		improvement	OR
		X - Condominium	0	If no secondary use,	
		Y - Planned Unit Development		use '0'	<u>Parcel Grouping</u>
			0		Indicate number of
	C - Restaurant	A - Dining		↓	parcels in economic
		B - Cocktail lounge or bar	0		unit. If 10 or more
		C - Coffee shop		↓	parcels, use 'X'
		D - Cafe	0		
		E - Drive-in or fast food service		↓	↓
		F - Take-out	0		
		X - Condominium		↓	↓
		Y - Planned Unit Development	0		
				↓	↓
	D - Large retail	A - Furniture	0		
		B - Market		↓	↓
		C - Discount	0		
		D - Department		↓	↓
		X - Condominium	0		
		Y - Planned Unit Development		↓	↓
			0		
	E - Shopping center	A - Convenience center		↓	↓
		B - Neighborhood	0		
		C - Community		↓	↓
		D - Regional	0		
		X - Condominium		↓	↓
		Y - Planned Unit Development	0		

(continued on page 9)

1 General Land Use	2 Specific Land Use	3 Occupancy	4 (not used)	5 Secondary Use	6 Character of Use①
B - Retail - Commercial	F - Vehicle oriented	A - Service station B - Car wash C - Auto repair garage D - New car sales E - Used car sales F - Boat sales G - Trailer sales/service H - Parking lot I - Parking structure K - Abandoned service station L - Mini-lube garage X - Condominium Y - Planned Unit Development	0 0 0 0 0 0 0	Indicate any secondary use by using General Land Use Codes Use 'M' for a miscellaneous improvement If no secondary use, use '0' ↓ ↓	A - Most probable B - Under improvement C - Over improvement E - Unfinished H - Historical property P - Permit entered OR Parcel Grouping Indicate number of parcels in an economic unit. If 10 or more parcels, use 'X'
	G - Auction yard	0	0	↓	↓
	H - Advertising	0	0	↓	↓
	I - Nursery	0	0	↓	↓
	Q - Common area (condo/PUD)	0	0	↓	↓

① Use the following priority to determine the sixth digit of the use code:
1st: E or P code 2nd: H code 3rd: Parcel grouping 4th: A, B, or C code

See page 10 for examples of Retail/Commercial use codes.

EXAMPLES OF RETAIL/COMMERCIAL LAND USE CODES

Use Code	Description of Property
BAA00A	Retail commercial store building occupied by one tenant, the most probably use of the site.
BBB0AB	Store and office combined in one building with one residence on parcel. Building is an underimprovement for the site.
BBA00A	Retail store with office, the most probable use of the site.
BCA00E	Restaurant under construction.
BFK00B	Abandoned service station, an underimprovement.
BDC00A	Large discount store, the best use of the site.
BEBOOC	Neighborhood shopping center, an overimprovement of the site.
BFI00A	Three-story parking structure, the best use of the site.
BG000A	Auction yard, the best use of the site.
BI00AA	Nursery with a residence on parcel. the best use of the site.
BQ000A	Common area in a retail commercial condominium (or planned unit development).

EXAMPLES OF OFFICE LAND USE CODES

Use Code	Description of Property
CAA00A	One-story general office, the most probable use of the site.
CAB00B	Two-story office, an underimprovement for the site.
CAX00E	Condominium office complex under construction.
CAY00C	Planned unit development office complex, an overimprovement for the site.
CBC00C	Large multi-story office building for single tenant, an overimprovement for the site.
CCA00A	One-story bank building, the most probable use of the site.
CDA0BA	Savings and loan in one-story office with retail/commercial operation also in building. The building is the most probable use of the site.
CEABH4	One story office, a radio/TV transmitter on 4 parcels, with secondary use of agriculture.
CFA00A	Post Office in one-story building, the best use of the site.
CGA00A	One-story medical/dental office, the most probable use of the site.
CHA002	One-story veterinarian office/clinic on 2 parcel site.
CQ000A	Common area for office condominium.
CJA00A	Residential property converted to office space, the most probable use of the site.

1 General Land Use	2 Specific Land Use	3 Occupancy	4	5 Secondary Use	6 Character of Use①
C - Office	A - Office, general	A - One story B - Two story C - Multiple stories X - Condominium Y - Planned Unit Development	0	Indicate any secondary use by using General Land Use Codes Use 'M' for a miscellaneous improvement If no secondary use, use '0'	A - Most probable B - Under improvement C - Over improvement E - Unfinished H - Historical property P - Permit entered OR <u>Parcel Grouping</u> Indicate number of parcels in an economic unit. If 10 or more parcels, use 'X'
	B - Large single tenant		0 0		
	C - Bank	↓	0		
	D - Savings & loan	↓	0		
	E - Broadcasting, Radio/TV	↓	A - Studios B - Transmitters	↓	
	F - Post office	↓	0	↓	
	G - Medical/Dental office, clinic, laboratory	↓	0	↓	↓
	H - Veterinarian office, clinic, hospital	↓	0	↓	↓
	Q - Common area	↓	0	↓	↓
	J - Residential conversion to office	↓	0	↓	↓

① Use the following priority to determine the sixth digit of the use code:
<u>1st:</u> E or P code <u>2nd:</u> H code <u>3rd:</u> Parcel grouping <u>4th:</u> A, B, or C code

1 General Land Use	2 Specific Land Use	3 Dwelling Unit Count	4 Dwelling Unit Count	5 Secondary Use or Dwelling Unit Count②	6 Character of Use①
D - Personal care and health	A - Acute care hospital, MD on duty 24 hours	Hundred's digit ↓	Ten's Digit ↓	One's digit ↓	A - Most probable B - Under improvement C - Over improvement
	B - Skilled Nursing Facility, RN on duty 24 hours	↓	↓	↓	E - Unfinished H - Historical property P - Permit entered
	C - Residential care facility	↓	↓	↓	OR
	D - Retirement home	↓	↓	↓	
	E - Day nursery	↓	↓	↓	Parcel Grouping Indicate number of parcels in an economic unit. If 10 or more parcels, use 'X'
	F - Cemetery & Mortuary related	C - Cemetery M - Mortuary X - Combination	0	0	

① Use the following priority to determine the sixth digit of the use code:
1st: E or P code   2nd: H code   3rd: Parcel grouping   4th: A, B, or C code

② Use the following priority to determine the fifth digit of the use code:
1st: Dwelling unit count   2nd: Secondary use. Indicate any secondary use by using General Land Use codes.

EXAMPLES OF PERSONAL CARE & HEALTH LAND USE CODES

DA312A Hospital. MD on duty 24 hours. Capacity is 312 patients.

DB120A Skilled nursing facility. RN on duty 24 hours. Capacity is 120 patients.

DC100A Residential care facility. Capacity is 100 patients.

DFX007 Cemetery and mortuary on 7 parcels.

DD060A Privately owned retirement home. Capacity is 60 persons.

DE000B Day nursery, an underimprovement for the site.

DFC00X Cemetery located on 26 parcels.

DFM00A Mortuary

1 General Land Use	2 Specific Land Use	3 Exemption Status	4 (not used)	5 Secondary Use	6 Character of Use①
E - Church & welfare	E - Church	A - Exempt B - Partially exempt C - Non-exempt	0	Indicate any secondary use by using General Land Use Codes Use 'M' for a miscellaneous improvement If no secondary use, use '0'	A - Most probable B - Under improvement C - Over improvement E - Unfinished H - Historical property P - Permit entered OR Parcel Grouping Indicate number of parcels in an economic unit. If 10 or more parcels, use 'X'
	F - Private school		0		
	K - Private social service agency	↓	0		

① Use the following priority to determine the sixth digit of the use code:
1st: E or P code 2nd: H code 3rd: Parcel grouping 4th: A, B, or C code

EXAMPLES OF CHURCH & WELFARE LAND USE CODES

Use Code	Description of Property
EEB0FA	Church with a recreation hall. The hall is rented out to the general public; the church derives substantial revenue from these rentals. The church building and adjacent parking is exempt; the recreation hall is not. Present use is the most prob-able use.
EFA00A	Exempt private school, not a PI or ILL.
EKA00A	Exempt social service agency.

1 General Land Use	2 Specific Land Use	3 Occupancy	4 (not used)	5 Secondary Use	6 Character of Use ①
F - Recreational	A - Golf course	A - Private	0	Indicate any secon-	A - Most probable
		B - Public		dary use by using	B - Under Improvement
		C - Country club	0	General Land Use	C - Over Improvement
		D - Mini		Codes	E - Unfinished
		E - Driving range	0		H - Historical property
				Use 'M' for a	P - Permit entered
	B - Bowling	0	0	miscellaneous	
				improvement	OR
	C - Skating	0	0	If no secondary use,	
				use '0'	<u>Parcel Grouping</u>
	D - Race track	0	0	↓	Indicate number of
					parcels in an econo-
	E - Marina	0	0		mic unit. If 10 or
				↓	more parcels, use 'X'
	F - Theater	A - Drive-in	0	↓	↓
		B - Indoor			
		C - Combination	0	↓	↓
	G - Private club	A - Fraternal	0	↓	↓
		B - Shooting (target)			
		C - Game	0	↓	↓
		D - Flying			
		E - Cabana	0	↓	↓
		F - Riding stable			
		G - Swimming & tennis	0	↓	↓
		H - Nudist			
		J - Handball/racquetball	0	↓	↓
		K - Health & figure spa			
	H - Sports courts,		0		
	fields, stadium	0			

① Use the following priority to determine the sixth digit of the use code:
<u>1st:</u> E or P code <u>2nd:</u> H code <u>3rd:</u> Parcel grouping <u>4th:</u> A, B, or C code

EXAMPLES OF RECREATIONAL LAND USE CODES

Use Code	Description of Property
FAA0BX	Private golf course open to members and guests only. Retail shops on the site. 10 parcels on the site.
FAB0HB	Privately owned golf course open to the public. Secondary use of agriculture. Present use is underimprovement for the site.
FAD00C	Mini-golf course, an overimprovement for the site.
FB00BA	Bowling alley with retail shops, the best use of the site.
FC000E	New skating rink under construction.
FD00AC	Race track with secondary residential use. Present use is the most probable use of the site.
FE00BA	Marina with retail shops, the most probable use of the site.
FFC0G6	Combination indoor/drive-in theater, with 6 parcels in the economic unit.
FGC00X	Fifteen parcel game club.

1 General Land Use	2 Specific Land Use	3 Occupancy	4 Subdivision Type	5 Secondary Use	6 Character of Use[1]
G - Industrial	A - Light	A - Processing	A - Industrial park	Indicate any secon-	A - Most probable
		B - Fabrication	B - Industrial sub.	dary use by using	B - Under improvement
	B - Heavy	C - Assembly	C - Non-subdivision	General Land Use	C - Over improvement
		D - Contractor yard	X - Condominium	Codes	E - Unfinished
	C - Warehouse	E - Wrecking yard	Y - Planned unit		H - Historical property
		F - Incubator	development	Use 'M' for a	P - Permit entered
	D - Building materials	G - Storage		miscellaneous	
		(3 - 12% office)	↓	improvement	OR
	E - Aerospace	H - Office/Warehouse		If no secondary use,	
		(more than 30% ofc)	↓	use '0'	<u>Parcel Grouping</u>
	F - Truck/transit	J - Distribution			Indicate number of
	terminal	(15 - 30% office)	↓	↓	parcels in an econo-
		K - Other			mic unit. If 10 or
			↓	↓	more parcels, use 'X'
	G - Food processing	A - Bakery			
		B - Cannery	↓	↓	↓
		C - Winery			
		D - Creamery	↓	↓	↓
		E - Meat			
		F - Frozen	↓	↓	↓
		G - Packing plant			
		H - Slaughter yard	↓	↓	↓
		I - Grain & feed storage			
			↓	↓	↓
	H - Inspection &	0			
	weighing station		↓	↓	↓
	I - Airport (private)	0	↓	↓	↓
	J - Mining	A - Gravel pit	↓	↓	↓
		B - Clay pit			
		C - Gas well	↓	↓	↓
(cont. on Page 17)	K - Railroad spur	0			

1 General Land Use	2 Specific Land Use	3 Occupancy	4 Subdivision Type	5 Secondary Use	6 Character of Use[1]
G - Industrial	L - Mini-storage M - Multi-tenant Q - Common area (condo/PUD)	0 (Same as for Heavy, Light, etc.) 0	A - Industrial park B - Industrial sub.- C - Non-subdivision X - Condominium Y - Planned unit development	Indicate any secondary use by using General Land Use Codes Use 'M' for a miscellaneous improvement If no secondary use, use '0'	A - Most probable B - Under improvement C - Over improvement E - Unfinished H - Historical property P - Permit entered OR Parcel Grouping

[1] Use the following priority to determine the sixth digit of the use code:
1st: E or P code   2nd: H code   3rd: Parcel grouping   4th: A, B, or C code

EXAMPLES OF INDUSTRIAL LAND USE CODES

Use Code	Description of Property
GAAA0A	Light processing plant in industrial park, the best use of the site.
GBCC08	Heavy assembly plant not in a subdivision. Located on 8 parcels.
GCHA0A	Distribution center, 35% of which is office space, in industrial park. Present use is most probable use of site.
GDGB0B	Building materials business, 5% of which is office space, in industrial subdivision, an underimprovement for the site.
GEKCCC	Aerospace corporation R & D plant not in subdivision, with secondary use as office space. An overimprovement for the site.
GFJB0A	Truck terminal, 20% of which is office space, on industrial subdivision site, the most probable use of the site.
GGBC0X	Large cannery and food processing plant on 10 parcels of non-subdivision industrial land.
GGGBBA	Food packing plant in industrial subdivision. Has retail/commercial secondary use. Present use is most probable.
GH000A	Inspection and weighing station, the most probable use of site.
GI00BE	Private airport being enlarged to double size of hangar storage space. Also small coffee shop on the site.
GJA00X	Gravel pit on 10 parcel site.

1 General Land Use	2 Primary & Secondary Use	3 Special	4 Soil[5]	5 Residence count	6 Character of Use[4]
H - Agriculture	A - Special	A -None	A - 1	A - None	A - Proper & economic unit
	B - Row crop	B - Pear orchard	B - 1 & 2		(suitable soil & size)
	C - Row crop & field crop	C - Walnut orchard	C - 2 & 1	B - 1	B - Proper & portion of economic
	D - Row crop & irrig. pasture	D - Olive orchard	D - 2		unit (suitable soil & size)
	E - Row crop & dry pasture	E - Peach orchard	E - 2 & 3	C - 2	C - Proper & non-economic unit
	F - Field crop	F - Cherry orchard	F - 3 & 2		(suitable soil but too small)
	G - Field crop & row crop	G - Orange orchard	G - 3	D - 3	D - Proper & portion of economic
	H - Field crop & irrig. pasture	H - Almond orchard	H - 3 & 4		unit (suitable soil but too small)
	I - Field crop & dry pasture	I - Plum orchard	I - 4 & 3	E - 4	E - Unfinished
	J - Irrigated pasture	J - Prune orchard	J - 4		F - Transitional
	K - Irrig. pasture & row crop	K - Kiwi orchard	K - 4 & 5	F - 5 or more	G - Agricultural preserve (LCA)
	L - Irrig. pasture & field crop	L - Apple orchard	L - 5 & 4		H - Improper use (unsuitable soil)
	M - Irrig. pasture & dry pasture	M - Trees & vines	M - 5	M - Misc.	P - Permit entered
	N - Dry pasture	N - Grape vines	N - 6	(pumps,	
	O - Dry pasture & row crop		O - 2 & 5	barns, etc.)	Parcel Grouping
	P - Dry pasture & field crop	P - Pistachios	P - 2 & 4		Indicate number of parcels in an
	Q - Dry pasture & irrig. pasture	Q - Poultry - chicken	Q - 3 & 5	T - Mobile	economic unit. If 10 or more par-
	R - Tailings	R - Poultry - turkey	R - 3 & 6	home	cels, use 'X'
	S - Dry pasture & tailings	S - Fish farm	S - 4 & 6		
	T - Field crop & tailings	T - Hops			
	U - Irrigated pasture & tailings	U - Hunting clubs			

[4] Use the following priority to determine the sixth digit of the use code:
1st: G code 2nd: E or P code 3rd: F code 4th: A, B, C, D or H code

⑤ For simplification, six soil grades have been established by combining soils having a range in index ratings, as follows.

Grade 1 Excellent. Soils whose rating is from 100 to 80 percent. Suitable for a wide range of crops, such as alfalfa, orchards, truck, and field. Yields are high.

Grade 2 Good. Soils whose rating is from 79 to 60 percent. Suitable for most crops and yields are good.

Grade 3 Fair. Soils whose rating is from 59 to 40 percent. Are either of fair quality, usually suited to a narrow range of crops, or ones on which the production is less than on soils of grades 1 and 2. For some particular crop, grade 3 soils may be excellent to good.

Grade 4 Poor. Soils whose rating is from 39 to 20 percent. Have a very narrow range in suitability and yields are low. Present one or more serious problems in land use.

Grade 5 Very poor. Soils whose rating is from 19 to 10 percent. Usually suited only to grazing.

Grade 6 Nonagricultural. Soils whose rating is below 10 percent. Includes wastelands; very steep or rocky lands having no agricultural use.

EXAMPLES OF AGRICULTURAL LAND USE CODES

Use Code	Description of Property
HABCFA	Producing pear orchard with very good soil. The owner's home, three homes for year-round help, and three labor camp buildings located on the site. Current use is best use of the site.
HAQHCA	Producing chicken ranch with 2 homes on the site. A proper economic unit for this location and market area.
HATABA	Hop far on #1 river bottom land. Has home plus processing and storage building. The farm is a proper economic unit.
HBCECC	Row crop and walnut orchard on suitable soil with 2 residences, but too small to provide full family income for the owner.
HCNBDC	Small row and field crop operation with some land devoted to vineyards. One home and two cottages on the site. Operation is proper for the site; however, owner is having problems competing with larger growers.
HFAEAA	Portion of a farm specializing in field crops. A proper economic unit, suitable soil and size, with no dwelling on the farm.
HHAFBF	Field crop and irrigated pasture land in area in transition to another use.
HJNIMC	Irrigated pasture with some grapes. Has installed irrigation system, vineyard, some fruit trees and garage/tool house.
HNAMTF	Dry pasture with mobile home, well, septic tank, pump house, animal shed, horse barn, and chicken house. In transition to another use.
HOAIBG	Most of the land is rolling hills devoted to dry cow pasture. Small amount of fair to good bottom land use for row-crop production. Site has one home in the agricultural preserve.
HSASBG	Half of site is old dredger tailings; half is dry pasture with one home. Land is in the agricultural preserve.

1 General Land Use⑥	2 Proposed Use	3 Type & Size⑦	4 Street Improvements	5 Utility Services	6 Character of Use⑧
I - Vacant	A - Residential B - Retail/Commercial C - Office D - Personal care & health F - Recreational G - Industrial H - Agricultural	A - Acreage: under 10 acres B - Acreage: 10 to 49 acres C - Acreage: 50 to 100 acres D - Acreage: over 100 acres E - Site: under 2 acres F - Site: 2 to 5 acres G - Site: over 5 acres⑨	A - No paving B - Paving only C - Paving with curbs & gutters D - Paving with curbs, gutters & sidewalks E - Landlocked	A - No utilities B - Water only C - Sewer only D - Drainage only E - Water & sewer F - Water, sewer & drainage G - Sewer & drainage H - Water & drainage M - Miscellaneous improvement, primarily vacant	A - Economically ready for development B - Not economically ready for development E - Unfinished site improvements OR Parcel Grouping Indicate number of parcels in an economic unit. If 10 or more parcels, use 'X'

⑥ Vacant land includes those properties where the improvements have little or no value. In these cases, consider the primary use of the property to be vacant land.

Vacant land does not include government-owned land. Such land is to be classified under category "W", Public Land Use.

Vacant land whose current use is primarily and economically agricultural should be classified under Category H, Agricultural Land Use.

⑦ Site Vs Acreage -- Sites are building sites where the land has been divided into individual sites for a proposed use - for example, residential, commercial, office, etc. Acreage is land that is capable of and likely to be further subdivided into smaller acreage or into sites. Non-build-able land is never a site, regardless of size.

⑧ Use the following priority to determine the 6th digit of the use code:
1st: E Code   2nd: Parcel grouping   3rd: A or B code.

⑨ Sites under 5 acres -- If use is primarily agricultural, use category H, Agricultural Land Use. If 10 acres or more, consider the property to be capable of further subdivision and classify as Acreage (see Note 7).

EXAMPLES OF VACANT LAND USE CODES

Use Code	Description of Property
IAAAAA	Five acres of vacant residential acreage with no paving or utilities, but is economically ready for development
IACBBB	Seventy-five acre multi-residential parcel fronting on a paved street with a water line paralleling the street. Not economically ready for development.
IAEAEE	Single-family residential lot. No paved roads. Has water and sewer. Other site improvements in progress.
IAEDFA	One acre residential home site with paving, curbs, gutters, sidewalks, water, sewer, and drainage. Ready for development.
IAFBAA	Three acre home site on paved road. No utilities. Economically ready for development.
IBEBEA	Retail/Commercial site with paving, water, and sewer. Economically ready for development.
IBGCFA	Nine acre retail/commercial site with all utilities. Ready for building.
IFDEAB	Two hundred acre recreational parcel. Currently landlocked. No utilities on site. Not ready for development.
IGFDFA	4 Acre Industrial site with full site improvements. Ready for building.

1 General Land Use	2 Specific Land Use	3 Character of Use①	Comments & Examples of Use
M - Miscellaneous	AWAY - Walkway	A - Most probable B - Under improvement	MAWAY2 - Pedestrian walkway to school with 2 parcels in the site.
	BRID - Bridal path, hiking trail, etc.	C - Over improvement E - Unfinished	MBRIDA - Bridal path, hiking path, or bike path, the most probable use of the site.
	DITC - Drainage ditch	H - Historical property P - Permit entered	MDITCE - Drainage ditch under construction.
	EROD - Eroded or waste land	S -Use as last digit of use code for mineral rights parcels.	MERODX - Site of worked-out clay pit consisting of 10 parcels.
	FLOD - Flood plain land		MFLODA - Flood plain land with no other foreseeable future use.
	GATE - Irrigation	OR	MGATEA - Irrigation ditch, pond, etc.
	INRT - Mineral rights	<u>Parcel Grouping</u>	MINRTS - Mineral rights in property.
	LEVE - Levee land	Indicate number of parcels in an economic unit. If 10 or more parcels, use 'X'	MLEVEX - Levee land with more than 9 parcels in the site.
	PARK - Park, greenbelt, etc.		MPARKC - Private park, an overimprovement for the site.
	ROAD - Private road		MROADB - Private dirt road serving 10 home sites. Lacks streets, curbs, gutters, and sidewalks.
	SMAL - Too small or too irregularly shaped for any foreseeable use.		MSMALA - Land 10 ft wide by 320 ft deep with no foreseeable economic use.
	TAIL - Dredger tailings		MTAIL6 - Six parcels of dredger tailing on old miner's road.
	UTIL - Utility, power, sewer, etc.		MUTILA - Land whose primary use is for power and sewer lines, the most probable use of the site.
	WELL - Well and pump, etc.		MWELLA - Well, pump, and storage tank for domestic water supply in a subdivision of tract homes, the most probable use of the site.

① Use the following priority to determine the sixth digit of the use code:
<u>1st:</u> E or P code <u>2nd:</u> H code <u>3rd:</u> Parcel grouping <u>4th:</u> A, B, or C code

1 General Land Use	2 Specific Land Use	3 Exemption Status	4 Lease Type	5 (not used)	6 Character of Use ①
W - Public & Utilities	A - Federal	A - Exempt/nontaxable	A - Possesory Interest	0	A - Most probable B - Under Improvement
	B - State ⑩	B - Partially exempt	B - Lease back	0	C - Over Improvement E - Unfinished
	C - County	C - Non-exempt	C - Neither A nor B	0	H - Historical property P - Permit entered
	D - City	↓	↓	0	
	F - Public school	↓	↓	0	OR
	G - Special district	↓	↓	0	Parcel Grouping Indicate number of parcels in an economic unit
	H - SBE property	↓	↓	0	If 10 or more parcels, use 'X'.
	M - Public housing	↓	↓	0	

① Use the following priority to determine the sixth digit of the use code:
1st: E or P code 2nd: H code 3rd: Parcel grouping 4th: A, B, or C code

⑩ Do not use the 'W' General Land Use code for properties which have been 'sold to the State' for taxes. Code these according to their current or last known use, for example, single-family residence, retail store, etc.

See page 24 for examples of Public & Utilities use codes.

EXAMPLES OF PUBLIC AND UTILITIES LAND USE CODES

Use Code	Description of Property
WAAC0A	U. S. Government owned and occupied building. The most probable use of the site.
WBBA0B	State-owned apartment house leased to tenants. The leasehold interest is taxable while the State's fee simple interest is exempt. The improvements are an underimprovement for the site.
WCAA0A	County building leased to a handicapped person. Present use is most probable use of the site.
WCAC06	Six parcel site owned by the County. The best use of the property.
WDACOA	City-owned parcel.
WFAC0A	Public School
WGAC0A	Water district office.
WGAC0A	Water district water reservoir. Small portion of the land is open to the public for picnics. Also has a small children's playground.
WHBC0X	Railroad switching yard appraised by SBE. Twenty parcels in the site.

APPENDIX C: ASSESSMENT EQUATIONS

The assessment equation for the project benefit zones is, in general:

> Assessment = {[(Relative Land Damage Value) x (Parcel Acreage)] + [(Relative Structure Value) x (Building Square Footage) x (Percent Damage)]} x Assessment Rate

Where:

- Relative Land Damage Value is as defined in Table 5-3 by land use category.
- Parcel Acreage is a particular parcel's acreage.
- Relative Structure Value is the unit structure cost as defined in Table 5-1 by land use category.
- Building Square Footage is the first and second stories of all residential structures and the first story of all commercial and industrial structures.
- Percent Damage is the flood damage to structure and contents expressed as a percent of structure value as defined in Table 5-2 by flood depth zone. Flood depth zones for the American River are shown on Figure 5-1 and for the South Sacramento Streams Group in Figure 5-2.
- Assessment Rates are as defined Table 5-5 for each project benefit zone.

The example assessment calculations provided in Section 5.5 of this Engineer's Report illustrated the use of the simplified combined assessment formula presented Section 5.4. The following assessment calculation demonstrates the use of the equivalent assessment equations defined in this Appendix.

<u>Example 1</u> (same as Example 1 in Section 5.5)

Assume a one story single-family residential property located in Benefit Zone NB-NALP, Flood Depth Zone 2 (5 to 10 ft), with parcel size 0.14 acres and building square footage of 1,500 square feet.

- From Table 5-3, Relative Land Damage Value is $25,100 per acre.
- From Table 5-1, Relative Structure Value is $60 per square foot.
- From Table 5-2, Percent Damage to Structure and Contents is 70-percent.
- From Table 5-5, the NB-NALP Assessment Rate is 0.00117603.
- Assessment = [($25,100/ac x 0.14 ac) + ($60/sf x 1,500 sf x 70%)] x 0. 00117603 = $78

APPENDIX D: LAND USE CATEGORY ASSIGNMENTS

For assessment calculation purposes, all parcels in the proposed Consolidated District were assigned to one of the following land use categories: single-family residential, multi-family residential, commercial, industrial, vacant residential, vacant commercial, vacant industrial and agricultural. The assignment was based on the Sacramento County Assessor's Land Use Codes (defined in Appendix B) and the following pairings:

TABLE D-1: LAND USE CATEGORY ASSIGNMENT FROM COUNTY ASSESSOR'S LAND USE CODES

Assessment Land Use Category	First Two Characters of Six Digit Sacramento County Assessors Land Use Code (see Appendix B for definitions)
Single-Family Residential (SFR)	A1, A2, AQ, AT
Multi-Family Residential (MFR)	A3, A4, AD, AE, AF, AG, AH, AL
Commercial (COM)	AJ, AK, AM, AN, AR, BA, BB, BC, BD, BE, BF, BG, BH, BI, BQ, CA, CB, CC, CD, CE, CF, CG, CH, CJ, CQ, DA, DB, DC, DD, DE, DF, EE, EF, EK, FB, FC, FD, FE, FE, FF, FG, FH
Industrial (IND)	GA, GB, GC, GD, GE, GF, GG, GH, GI, GJ, GK, GL, GM, GQ
Vacant Residential (VAC RES)	IA and parcels with SFR or MFR codes but without a building
Vacant Commercial (VAC COM)	IB, IC, ID, IF and parcels with COM codes but without a building
Vacant Industrial (VAC IND)	IG and parcels with IND codes but without a building
Agricultural (AG)	H_ and IH

Public parcels with structures were assigned to the commercial category. Those without a building were classified as vacant commercial. An exception was the redevelopment agency parcels, which were classified as single-family residential or vacant residential as appropriate.

Parcels with County Assessor's Land Use Code of Miscellaneous (M_) were assigned one of the vacant Land Use Categories.

Where the County Assessor's Land Use Codes were inconsistent with other information available for the parcel from the County Assessor or other sources, a determination was made as to the appropriate Land Use Category to assign to the parcel. Such assignments could differ from Table D-1.

Sutter County parcels in Natomas were assigned a land use category based on the Land Use Appraisal Code for the parcel established in SAFCA's Operations and Maintenance Assessment District No. 1.

Sacramento County parcels in Natomas (NB) outside the developed or developing area (NB-NALP) that are zoned for agricultural use but have a vacant residential County Assessor's Land Use Code were classified as agricultural based on zoning designation to more correctly reflect the current use of the land and associated relative flood damage reduction benefit.

APPENDIX E: REVISED ASSESSMENT ROLL
(UNDER SEPARATE COVER)

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The audited financial statements of the Agency have been prepared on the basis of generally accepted accounting principles, and reflect a variety of revenues, funds and accounts. As described herein, the Series 2007 Bonds are payable solely from the Consolidated Capital Assessments. Since the Consolidated Capital Assessments have not yet been levied, the audited financial statements of the Agency attached hereto do not reflect collection of the Consolidated Capital Assessments. The Series 2007 Bonds are not general obligations of the Agency.

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SACRAMENTO AREA FLOOD CONTROL AGENCY

Independent Auditor's Reports,
Management's Discussion and Analysis,
Basic Financial Statements, Required Supplementary
Information, Supplemental Information
and Other Reports

For the Fiscal Year Ended June 30, 2006

SACRAMENTO AREA FLOOD CONTROL AGENCY
For the Fiscal Year Ended June 30, 2006

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Board of Directors
Sacramento Area Flood Control Agency
Sacramento, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sacramento Area Flood Control Agency (SAFCA), as of and for the year ended June 30, 2006, which collectively comprise SAFCA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SAFCA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Sacramento Area Flood Control Agency as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of SAFCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 25 through 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SAFCA's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal award is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of SAFCA. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 21, 2006

SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

As management of the Sacramento Area Flood Control Agency (SAFCA), we offer readers of SAFCA's financial statements this narrative overview and analysis of the financial activities of SAFCA for the year ended June 30, 2006. Please read it in conjunction with SAFCA's basic financial statements following this section.

Financial Highlights

- The liabilities of SAFCA exceeded its assets at the 2005-2006 fiscal year by ($18,178,261) (*deficit net assets*). The unrestricted net assets for the current fiscal year amount to ($18,591,147) due to the fact that SAFCA issued bonds to improve existing levees, but the levees are owned by other entities. Net assets of $412,886 are invested in capital assets, net of related debt.
- SAFCA's total net assets increased by $3,322,206 during fiscal year 2005-2006.
- As of the 2005-2006 fiscal year, SAFCA's governmental funds reported ending fund balances of $11,658,279, a decrease of $2,783,133 in comparison with the prior year. Approximately 39% of this total amount, $4,615,726, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the general fund was $21,139.
- SAFCA's total debt decreased by $4,975,067 during the current fiscal year. This decrease is due to principal payments of long-term debt and advance refunding of the 1995 & 1996 NALP bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to SAFCA's basic financial statements. SAFCA's basic financial statements comprise three components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of SAFCA's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of SAFCA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of SAFCA is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of SAFCA that are principally supported by special assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of SAFCA include public protection and public ways and facilities. SAFCA does not have business-type activities.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SAFCA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SAFCA are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

SAFCA maintains five major governmental funds: General Fund, North Area Local Project Fund, American River/South Sacramento Streams Fund, Special Capital Assessments Fund, and the Coverage Fund. Information is presented separately for each major fund in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the supplemental information to the basic financial statements.

SAFCA adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 13-14 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15-24 of this report.

SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of SAFCA, liabilities exceeded assets by $18,178,261 at the end of the 2005-2006 fiscal year.

Statement of Net Assets (Deficit)
June 30,

	2006	2005
Current and other assets	$ 14,239,631	$ 17,615,149
Capital assets, net	9,278,517	8,882,073
Total assets	23,518,148	26,497,222
Long-term liabilities outstanding	39,294,933	44,270,000
Other liabilities	2,401,476	3,727,689
Total liabilities	41,696,409	47,997,689
Net assets (deficit):		
Invested in capital assets, net of related depreciation	412,886	16,441
Unrestricted	(18,591,147)	(21,516,908)
Total net assets (deficit)	($18,178,261)	($21,500,467)

SAFCA issued bonds to acquire land and to improve existing levees, but the land and levees are owned by other entities. Therefore, negative net assets are recorded. Total assets decreased primarily due to a decrease in cash and investments (Current and other assets). Total liabilities decreased $6,301,280 primarily due to scheduled principal payments of long-term liabilities and advanced bond refunding during the year. Total net assets increased $3,322,206 due to a decrease in long-term liabilities.

Governmental activities. Governmental activities increased SAFCA's net assets by $3,322,206 during the year.

Statement of Activities
For the Year Ended June 30,

	2006	2005
Program revenues:		
Charges for services	$ 10,158,748	$ 9,473,686
Capital grants and contributions	7,031,262	4,557,617
Total program revenues	17,190,010	14,031,303
General revenues:		
Intergovernmental not restricted to specific programs	575,969	69,039
Interest and other income	1,659,333	975,391
Total general revenues	2,235,302	1,644,430
Total revenues	19,425,312	15,675,733
Expenses:		
Public protection	8,117,544	6,564,936
Reoperation mitigation	-	2,843
Public ways and facilities	6,493,665	5,737,826
Interest	1,491,897	2,411,097
Total expenses	16,103,106	14,716,702
Change in net assets	3,322,206	959,031
Net assets (deficit), beginning of year	(21,500,467)	(22,459,498)
Net assets (deficit), end of year	($18,178,261)	($21,500,467)

Key elements of current year decreases/increases are as follows:

- Capital grants and contributions increased by $2,473,645 (54%) during the year. This increase reflects progress in the American River and South Sacramento Steams projects and North Area Local projects.
- Interest and other income increased by $683,942 (70%) during the year primarily due to increased activity in the North Area Project.
- Public protection expenditures increased by $1,552,608 (24%) during the year due to an increase in construction contracts and engineering services.

Financial Analysis of the Government's Funds

As noted earlier, SAFCA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of SAFCA's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing SAFCA's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2006, SAFCA's governmental funds reported combined fund balances of $11,658,279, a decrease of $2,783,133 in comparison with prior year. Approximately 40% of the combined fund balances, $4,615,726 constitute *unreserved fund balance,* which is available to meet SAFCA's current and future needs. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has been committed: 1) to reserve for encumbrances ($1,702,509), 2) to pay debt service ($5,103,243) and 3) Hanson Ranch ($236,801).

The General Fund is the chief operating fund of SAFCA. As of June 30, 2006, unreserved fund balance of the General Fund, was $21,139, while total fund balance was $1,100,155. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents less than 1% of total General Fund expenditures, while total fund balance represents 14% of that same amount. The fund balance of SAFCA's General Fund decreased by $1,138,690 during fiscal year 2006.

The debt service funds have a total fund balance of $5,103,243 all of which is reserved for the payment of debt service. The total fund balance for the debt service funds decreased by $3,013,058 in fiscal year 2006.

	FY 2006		FY 2005		Increase/(Decrease)	
Revenues by Source	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Special benefit assessments	$10,142,967	52.2%	$10,001,333	63.8%	$ 141,634	1.4%
Special capital assessments	3,667,375	18.9%	3,269,972	20.9%	397,403	12.2%
Intergovernmental	3,955,637	20.4%	1,429,039	9.1%	2,526,598	176.8%
Interest and other income	1,659,333	8.5%	975,391	6.2%	683,942	70.1%
Total revenues	$19,425,312	100.0%	$15,675,735	100.0%	$ 3,749,577	23.9%
Expenditures by Function						
Public protection	$ 8,117,544	33.3%	$ 6,564,936	40.2%	$ 1,552,608	23.7%
Reoperation mitigation	-	0.0%	2,843	0.0%	(2,843)	-100.0%
Public ways and facilities	6,890,109	28.2%	6,202,027	38.0%	688,082	11.1%
Cost of issuance	691,054	2.8%	-	0.0%	691,054	100.0%
Advance refunding escrow	7,037,963	28.8%	-	0.0%	7,037,963	100.0%
Principal on long-term debt	125,000	0.5%	1,140,000	7.0%	(1,015,000)	-89.0%
Interest on long-term debt	1,541,509	6.3%	2,423,649	14.8%	(882,140)	-36.4%
Total expenditures	$24,403,179	100.0%	$16,333,455	100.0%	$ 8,069,724	49.4%

Explanations for the significant changes from the previous year are generally the same as those stated on the previous page for governmental activities

General Fund Budget Highlights

During the year, actual revenues were lower than final budgeted amounts by $513,075. Actual expenditures were less than budgetary estimates by $2,411,075. This was largely due to lower special capital assessments revenue of $1,662,063, and higher intergovernmental revenue of $575,969 and special benefit assessments revenue of $391,373, coupled with lower public protection expenditures of $2,411,075 during the year. The lower special capital assessments revenue was due to slower than anticipated progress primarily in the American River and South Sacramento Steams projects. The lower public protection expenditures was due to the American River Folsom Dam Outlet Modifications project bids coming in 3-4 times the preliminary engineering estimate, which impeded progress on the project until the Corps can complete a general re-evaluation report to identify another less costly approach to construction.

Capital Asset and Debt Administration

Capital Assets - SAFCA's investments in capital assets for its governmental assets as of June 30, 2006 amount to $9,278,517 (net of accumulated depreciation). This investment in capital assets includes land and equipment. The total increase in the SAFCA's investment in capital assets for the current fiscal year was 4%, or $396,444. SAFCA keeps records of all assets for governmental activities.

Capital Assets, Net of Depreciation
June 30,

	2006	2005
Land	$ 9,254,051	$ 8,643,370
Construction in progress	-	222,262
Equipment	24,466	16,441
Total	$ 9,278,517	$ 8,882,073

Additional information on SAFCA's capital assets can be found in the notes to the basic financial statements.

Long-term debt - At the end of the current fiscal year, SAFCA had revenue bonds outstanding of $39,294,933. The whole amount of SAFCA's debt represents bonds secured by the Capital and Operations Assessment Districts.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2006-07 Final Budget was adopted by SAFCA's Board of Directors on June 15, 2006. The budget supports SAFCA's continuing efforts to address the region's flood control needs during the coming year and is consistent with the objectives of SAFCA's current Strategic Plan. SAFCA's Strategic Plan identifies the efforts that SAFCA will undertake to ensure the integrity of the existing levee system; provide a minimum of 100-year flood protection for the region; and pursue SAFCA's long-term goal of achieving a high level of flood protection (200-year or greater) for the Sacramento area.

The proposed means of financing some of the $31.6 million in budgeted expenditures for fiscal year 2006-07 includes:

- Assessments:
  Operations & Maintenance Fund: $6.2 million
  American River/South Sacramento Streams Capital Fund: $3.7 million
- Local Governmental Agencies: $275,000
- Sacramento County & City Funds: $10 million ($5 million each)
- County Funds: $433,661
- State Aid: $727,700
- Federal Aid: $4.6 million
- Development Fees (Capital Investment Equalization Fee): $750,000
- Contributions: $579,140

The following assumptions were made in preparing the 2006-07 Budget:

- Existing assessment rates will not change.
- The Corps will execute its construction projects as currently scheduled with costs accruing as estimated.
- The Corps will re-program federal funds such that earlier appropriations earmarked for SAFCA projects or reimbursements will become available as needed for current project activities. The proposed final budget assumes that SAFCA will receive about $4.55 million in funds appropriated for reimbursement to SAFCA for construction of the Natomas Area Local Project (Phase I reimbursement), and the Corps' Sacramento District will receive about $4.7 million in funds appropriated in prior years for the Sacramento River Bank Protection Project.
- Congress will ultimately appropriate requested federal fiscal year 2006-07 construction funding for the South Sacramento Streams Group (SSSG) Project, the American River Common Features, the Folsom Dam Outlet Modifications Project, the Folsom Dam Raise Project, and the Sacramento River Bank Protection Project.
- SAFCA will continue to receive state aid in the form of credits for work completed at local expense in connection with the SSSG Project.
- The state legislature will ultimately appropriate state capital outlay funds to match the requirements of the Corps' construction schedule during the state fiscal year 2006-07. In addition, state aid from various grant programs and local aid will be available to reduce SAFCA's share of the cost of several projects included in our work plan for fiscal year 2006-07.
- Inter-fund transfers (loans) will occur between SAFCA's O&M and Capital funds to provide the necessary cash flow to support this year's work plan.

FY 2007 Federal Flood Control Appropriations Request

Project	Proposed Budget ($ millions)	SAFCA Request ($ millions)
South Sacramento Streams	3.75	10.00
Folsom Dam Outlet Modifications	9.55	9.56
American River Common Elements	4.41	16.00
Sacramento River Bank Protection	6.30	20.00
American River Plan (Folsom Mini-Raise)	15.00	15.00
Natomas Phase I Reimbursement	0.00	4.50
Total	39.01	75.06

SAFCA is working closely with members of their delegation and their lobbyists to secure supplemental appropriations that are more in line with their needs than the amounts approved in the Energy and Water Development Act of 2007.

Requests for Information

This financial report is designed to provide a general overview of SAFCA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Julie Lienert, Director of Administration, Sacramento Area Flood Control Agency, 1007 7th Street, 7th Floor, Sacramento, CA 95814 or phone (916) 874-7606.

SACRAMENTO AREA FLOOD CONTROL AGENCY
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

ASSETS		
Cash and investments	$	13,021,603
Interest receivable		233,235
Deferred charges		656,501
Due from other governments		328,292
Capital assets:		
Land		9,254,051
Equipment, net of accumulated depreciation		24,466
Total capital assets		9,278,517
Total assets		23,518,148
LIABILITIES		
Warrants and claims payable		1,496,764
Accounts payable		122,430
Due to other governments		305,657
Accrued interest payable		476,625
Long-term liabilities:		
Due within one year		811,838
Due in more than one year		38,483,095
Total liabilities		41,696,409
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt		412,886
Unrestricted		(18,591,147)
Total net assets (deficit)	$	(18,178,261)

See accompanying notes to the basic financial statements.

SACRAMENTO AREA FLOOD CONTROL AGENCY
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs				
Public protection	$ 8,117,544	$ 6,491,373	$ -	$ (1,626,171)
Public ways and facilities	6,493,665	3,667,375	7,031,262	4,204,972
Interest	1,491,897	-	-	(1,491,897)
Total governmental activities	$ 16,103,106	$ 10,158,748	$ 7,031,262	1,086,904
General Revenues:				
Intergovernmental not restricted to specific programs				575,969
Interest and other income				1,659,333
Total general revenues				2,235,302
Change in net assets				3,322,206
Net assets (deficit) - July 1				(21,500,467)
Net assets (deficit) - June 30				$ (18,178,261)

See accompanying notes to the basic financial statements.

SACRAMENTO AREA FLOOD CONTROL AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

		Capital Projects Funds		Debt Service Funds			
	General	North Area Local Project	American River/ South Sacramento Streams	Special Capital Assessments	Coverage	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 796,477	$ -	$ 7,167,647	$ 2,515,610	$ 1,723,193	$ 818,676	$ 13,021,603
Interest receivable	79,291	9	108,155	16,392	21,863	7,525	233,235
Due from other funds	1,765,589	-	730,000	-	-	-	2,495,589
Due from other governments	186,288	-	142,004	-	-	-	328,292
Total assets	$ 2,827,645	$ 9	$ 8,147,806	$ 2,532,002	$ 1,745,056	$ 826,201	$ 16,078,719
LIABILITIES AND FUND BALANCES							
Liabilities:							
Warrants & claims payable	$ 1,244,559	$ 74,281	$ 177,924	$ -	$ -	$ -	$ 1,496,764
Accounts payable	95,200	-	27,230	-	-	-	122,430
Due to other funds	300,000	430,000	1,765,589	-	-	-	2,495,589
Due to other governments	87,731	205,293	12,518	-	-	115	305,657
Total liabilities	1,727,490	709,574	1,983,261	-	-	115	4,420,440
Fund balances:							
Reserved for:							
Encumbrances	842,215	486,314	373,980	-	-	-	1,702,509
Debt service	-	-	-	2,532,002	1,745,056	826,185	5,103,243
Hanson Ranch	236,801	-	-	-	-	-	236,801
Unreserved, undesignated, reported in:							
General Fund	21,139	-	-	-	-	-	21,139
Capital projects funds	-	(1,195,879)	5,790,565	-	-	-	4,594,686
Special revenue fund	-	-	-	-	-	(99)	(99)
Total fund balances	1,100,155	(709,565)	6,164,545	2,532,002	1,745,056	826,086	11,658,279
Total liabilities and fund balances	$ 2,827,645	$ 9	$ 8,147,806	$ 2,532,002	$ 1,745,056	$ 826,201	

Amounts reported for governmental activities in the statement of net assets are different because:

Costs of issuance are deferred in the statement of net assets and reported as expenditures in the fund financial statements	656,501
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	9,278,517
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds	(476,625)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(39,294,933)
Net assets (deficit) of governmental activities	$ (18,178,261)

See accompanying notes to the basic financial statements.

SACRAMENTO AREA FLOOD CONTROL AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

		Capital Projects Funds		Debt Service Funds			
	General	North Area Local Project	American River/ South Sacramento Streams	Special Capital Assessments	Coverage	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Special benefit assessments	$ 6,491,373	$ -	$ 3,651,594	$ -	$ -	$ -	$ 10,142,967
Special capital assessments	-	-	-	3,667,375	-	-	3,667,375
Intergovernmental	575,969	592,479	2,787,189	-	-	-	3,955,637
Interest and other income	298,246	996,958	173,615	80,619	87,951	21,944	1,659,333
Total revenues	7,365,588	1,589,437	6,612,398	3,747,994	87,951	21,944	19,425,312
EXPENDITURES							
Current:							
Public protection	8,117,544	-	-	-	-	-	8,117,544
Public ways and facilities	-	3,270,754	3,562,427	56,928	-	-	6,890,109
Debt service:							
Principal	-	-	-	-	-	125,000	125,000
Advance refunding escrow	-	-	-	7,037,963	-	-	7,037,963
Cost of issuance	-	-	-	691,054	-	-	691,054
Interest	-	-	-	1,273,288	-	268,221	1,541,509
Total expenditures	8,117,544	3,270,754	3,562,427	9,059,233	-	393,221	24,403,179
Excess (deficiency) of revenues over (under) expenditures	(751,956)	(1,681,317)	3,049,971	(5,311,239)	87,951	(371,277)	(4,977,867)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	5,026,384	1,646,803	779,955	7,453,142
Transfers out	(386,734)	-	-	(1,341,542)	(1,519,805)	(4,205,061)	(7,453,142)
Refunding bonds issued	-	-	-	34,595,000	-	-	34,595,000
Refunding bonds issued premium	-	-	-	2,231,884	-	-	2,231,884
Payments to refund bond escrow agent	-	-	-	(34,632,150)	-	-	(34,632,150)
Total other financing sources (uses)	(386,734)	-	-	5,879,576	126,998	(3,425,106)	2,194,734
NET CHANGE IN FUND BALANCES	(1,138,690)	(1,681,317)	3,049,971	568,337	214,949	(3,796,383)	(2,783,133)
Fund balances - July 1	2,238,845	971,752	3,114,574	1,963,665	1,530,107	4,622,469	
Fund balances - June 30	$ 1,100,155	$ (709,565)	$ 6,164,545	$ 2,532,002	$ 1,745,056	$ 826,086	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of $402,906 exceeded depreciation of $6,462 in the current period		396,444
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assts. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similiar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. The amount is the net effect of these differences in the treatment of long-term debt and related items.		
Advance refunding escrow	7,037,963	
Cost of issuance	691,054	
Repayment of debt	125,000	
Refunding bonds issued	(34,595,000)	
Refunding bond isued premium	(2,231,884)	
Payments to refund bond escrow agent	34,632,150	5,659,283
Some expenses report in the statement of activities do not require the use of current financial resources and , therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	77,327	
Current year amortization of premium	111,594	
Current year amortization of loss of refunding	(104,756)	
Current year amortization of cost of issuance	(34,553)	49,612
Change in net assets of governmental activities		$ 3,322,206

See accompanying notes to the basic financial statements.

SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 – REPORTING ENTITY

Authorized Legislation and Organization

The Sacramento Area Flood Control Agency (SAFCA), which was created effective January 1, 1990 pursuant to Section 6500 of the California State Government Code and the provisions of a Joint Exercise of Powers Agreement, is a political subdivision of the State of California. SAFCA is a jointly governed organization under GASB Statement No. 14. *The Financial Reporting Entity.* Parties to this agreement are the City of Sacramento, County of Sacramento, Reclamation District No. 1000, American River Flood Control District, County of Sutter, Sacramento County Water Agency and Sutter County Water Agency. SAFCA was formed to plan, coordinate and finance regional flood protection improvements in the Sacramento area. SAFCA is governed by a Board of Directors, which is composed of five members from the Sacramento County Board of Supervisors, three members from the Sacramento City Council, two trustees from the American River Flood Control District, two trustees from Reclamation District No. 1000, and one member from the Sutter County Board of Supervisors. In addition, SAFCA contracts with Sacramento County and the City of Sacramento for its employees.

On June 20, 1991, the SAFCA Board of Directors passed Resolution 91-010, forming the SAFCA Flood Control Operations Assessment District No. 1. The Sacramento Area Flood Control Agency Act, which was augmented by the California State Legislature, granted SAFCA the ability to levy and collect assessments and to pay for administrative, operations and maintenance costs. The District operates within SAFCA's boundaries and is governed by the same Board of Directors.

On September 21, 1995, the SAFCA Board of Directors passed Resolution 95-112, forming the SAFCA North Area Local Project Capital Assessment District No. 2 and authorizing the issuance of bonds in the principal amount of $84,345,000.

On June 29, 2000, the SAFCA Board of Directors passed Resolution 00-050, forming the SAFCA Capital Assessments District No. 3 – American River and South Sacramento Streams and authorizing the issuance of bonds in the principal amount of $28,500,000.

On February 17, 2005, the SAFCA Board of Directors passed Resolution 05-016 in regards to the existing North Area Local Project Capital Assessment District No. 2 authorizing the issuance of bonds in the principal amount of $34,595,000.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government–wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (SAFCA). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements (continued)

The statement of activities presents direct expenses and program revenues for each function of SAFCA's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by. the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues

When both restricted and unrestricted resources are available, restricted resources are used first, then unrestricted resources as needed.

Fund Financial Statements

The fund financial statements provide information about SAFCA's funds, which include only *governmental funds*.

SAFCA reports the following major governmental funds:

The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the SAFCA that are not accounted for through other funds. For the District, the General Fund's activities include public protection only.

The *North Area Local Project Fund* (NALP) is a capital projects fund used to account for the bond proceeds and the accumulation of other resources for, and expenditures relating to the Sacramento Urban Area Levee Restoration Project and the NALP.

The *American River/South Sacramento Streams Fund* (AR/SSS) is a capital projects fund used to account for the bond proceeds and the accumulation of other resources for, and expenditures relating to the local share of costs for federally authorized improvements along the American River and Morrison Creek and its tributaries.

The *Special Capital Assessments Fund* is a debt service fund used to account for all proceeds received by it from the annual levy and collection of special capital assessments when received. The monies in the Special Capital Assessments Fund are used to punctually pay interest, principal and redemption premiums on the 1995 NALP Capital Assessment District No. 2 Bonds. Through June 30, 2006, the Special Capital Assessments Fund funded all principal and interest payments as scheduled.

The *Coverage Fund* is a debt service fund funded from the Operation and Maintenance Assessment Fund and is supplemented from the Special Capital Assessments Fund, each October. The Coverage Fund is to be replenished on or before the first day of each October to restore the Coverage Fund to a sum equal to the required level. All funds in the Coverage Fund shall be used solely for the purpose of paying the interest on or principal of the bonds in the event there is insufficient money available for such purpose.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which SAFCA gives (or receives) value without directly receiving (or giving) equal value in exchange, include special assessments, grants, entitlements and donations. On an accrual basis, revenue from special assessments is recognized in the fiscal year for which the assessments are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Special assessments, interest and certain state and federal grants are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and the sale of capital assets are reported as other financing sources.

Cash and Investments

Pursuant to the Joint Exercise of Powers Agreement, the Treasurer of the County of Sacramento (County) has custody of all cash and investment balances and is the fiscal agent for SAFCA. All cash in the debt service funds represent bond reserves; the remainder of SAFCA's cash is pooled with other County funds. SAFCA's share of the pooled cash account is separately accounted for and interest earned, net of related expenses, is apportioned at the end of each quarter based upon the relationship of its daily cash balance to the total of the pooled account.

Cash and investments in SAFCA's investment pools are presented at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The value of SAFCA's shares in the pools is determined on an amortized cost basis, which may be different from fair value. The County's basic financial statements, containing all of the applicable provisions of GASB 31, can be obtained from the County Auditor-Controller's Office.

Capital Assets

Capital assets are stated at cost except for assets contributed to SAFCA, which are stated at their market value on the date contributed. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in net income for the period.

Maintenance and repair costs are expensed as incurred. Significant renewals or betterments are capitalized and depreciated over their estimated useful lives.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of capital assets is computed under the straight-line method over the following estimated useful lives:

Equipment	5 to 10 years
Structures and improvements	10 to 40 years

The SAFCA's policy is to capitalize all capital assets with a cost greater than $5,000 and a useful life of more than 1 year.

Special Benefit Assessments

Special benefit assessments are recognized and apportioned only as received. The special benefit assessment is billed with the Sacramento and Sutter property tax rolls. It is, however, not a property tax since it is exempt from the tax rate limitation pursuant to Article XIIIA of the California Constitution. Assessments are payable in equal installments on November 1 and February 1. They become delinquent after December 10 and April 10, respectively. The assessment date is July 1 and the lien date is January 1 of each year.

Special Capital Assessments

Special capital assessments are levied on parcels of property in the Capital Assessment District to satisfy the annual debt service during the ensuing bond year. Although the annual special capital assessments constitute liens on the lots and parcels assessed, they do not constitute a personal indebtedness of the respective owners of the lots and parcels. Furthermore, there is no assurance as to the ability or the willingness of the owners to pay the special capital assessments.

The special capital assessments are collected annually on the County's secured tax roll on which general taxes on real property are collected. The special capital assessments are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes except that accelerated foreclosure procedures are imposed. Special capital assessments are recognized and apportioned to SAFCA as received by the County. Amounts not received at year-end are delinquent.

NOTE 3 – CASH AND INVESTMENTS

As discussed in note 2, SAFCA's cash and investment are held in the County Treasurer's pool and the County, acting in a fiduciary capacity, established a separate cash and investments pool (fiscal agent pool) to segregate and invest monies in accordance with long-term obligation covenants. The County Treasurer's pool and fiscal agent pool are not rated by credit rating agencies. At June 30, 2006, SAFCA's cash and investments held in the County Treasurer's pool and fiscal agent pool totaled $8,102,603 and $4,919,000, respectively.

NOTE 3 – CASH AND INVESTMENTS (Continued)

SAFCA believes it is not at measurable risk as to the four risk areas as follows:

Credit Risk – This is the risk that an issuer or other counterparty will not fulfill its obligations. SAFCA participates in the County's investments pools, which are not rated by credit rating agencies.

Custodial Credit Risk – This is the risk that in the event a financial institution or counterparty fails, the County would not be able to recover the value of its deposits and investments. SAFCA's investments consisted of participation in the County's pools; accordingly, SAFCA is not exposed to custodial credit risk.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. SAFCA participates in the County's investment pools; accordingly, concentration of credit risk is not applicable to SAFCA.

Interest rate risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. Refer to the table below for disclosure.

The following schedule summarizes the carrying value of cash and investments held in the County Treasurer's pool and fiscal agent pool at June 30, 2006. NR represents securities that are not rated.

	Carrying Value	Credit Rating	Weighted Average Maturity
Treasurer's pool	$8,102,603	NR	184 days
Fiscal agent pool	4,919,000	NR	96 days

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance at July 1, 2005	Additions	Retirements	Balance at June 30, 2006
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 8,643,370	$ 610,681	$ -	$ 9,254,051
Construction in progress	222,262	-	(222,262)	-
Total capital assets, not being depreciated:	8,865,632	610,681	(222,262)	9,254,051
Capital assets, being depreciated:				
Equipment	28,145	14,487	-	42,632
Less accumulated depreciation	(11,704)	(6,462)	-	(18,166)
Total capital assets, being depreciated, net	16,441	8,025	-	24,466
Governmental activities capital assets, net	$ 8,882,073	$ 618,706	$ (222,262)	$ 9,278,517

Depreciation expense for the year ended June 30, 2006 was $6,462 and was charged to the public ways and facilities function.

NOTE 5 – OPERATING LEASES

SAFCA has two non-cancelable operating leases for office space at 1007 7th Street, one of which is the Mezzanine floor at $780 per month through December 2006, which then increases to $803 per month from January 2007 through December 2007 (Lease 1574). SAFCA also leases the 7th floor at $12,000 per month from June 2006 through May 2007 (Lease 1352) and part of the 2nd floor at $750 per month from June 2006 through May 2007 (Lease 1661). Rental expenditures for the year ended June 30, 2006 were $142,519. Future minimum rental payments required under the operating leases as of June 30, 2006 are as follows:

	Lease 1574	Lease 1352	Lease 1661
2007	$ 9,498	$ 132,000	$ 8,250
2008	4,818	-	-
Total	$ 14,316	$ 132,000	$ 8,250

Under the term of Lease 1352, SAFCA has the option to renew the lease for an additional two years. SAFCA subleases a portion of its office space to consultants on a month-to-month basis.

SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 – RELATED PARTY TRANSACTIONS

For the year ended June 30, 2006, the County of Sacramento, a related party, owed SAFCA $233,235 for interest earned on Treasury deposits and $328,292 for special assessments payments received by the County, but not transferred to SAFCA prior to year-end. In addition, SAFCA's employees are employees of the County and SAFCA uses other County departments for other services, such as risk management, engineering, accounting, etc. Expenditures paid to the County during the year were $1,753,700.

NOTE 7 – CONTINGENCIES

SAFCA is involved in various claims and litigation, which is considered normal to SAFCA's regional planning activities. In the opinion of SAFCA's management, the ultimate resolution of these matters will not have a material adverse effect on SAFCA's financial position.

NOTE 8 – LONG-TERM OBLIGATIONS

Long-term obligations consist of the following at June 30, 2006:

Series 1996 Operating and Maintenance serial series bonds due on November 1, 2002 through 2008 with interest rates from 4.45% to 5.25%, optional redemption effective for bonds maturing on or after November 1, 2006 at a premium rate 0% to 2%.	405,000
Series 1996 Operating and Maintenance term series bonds due on November 1, 2009 through 2016 with interest at 5.80%, optional redemption effective for bonds maturing on or after November 1, 2006, at a premium rate of 0% to 2%.	1,475,000
Series 1996 Operating and Maintenance term series bonds due on November 1, 2017 through 2025 with interest at 5.90%, optional redemption effective for bonds maturing on or after November 1 2006 at a premium rate of 0% to 2%.	2,690,000
Series 2005 NALP Capital term series bonds due on October 1, 2006 through 2025 with interest at 4.8-5.38%, optional redemption effective for bonds maturing on or after October 1, 2015 at a premium rate of 0% to 2%.	34,595,000
Total long-term obligations	$39,165,000

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

The aggregate amount of debt service on long-term debt outstanding at June 30, 2006 is as follows:

Year Ending June 30,	Principal	Interest
2007	805,000	1,974,720
2008	1,250,000	1,923,211
2009	1,310,000	1,858,935
2010	1,375,000	1,791,035
2011-2015	8,010,000	7,801,700
2016-2020	10,250,000	5,487,675
2021-2025	13,140,000	2,517,300
2026	3,025,000	77,290
Total	$ 39,165,000	$ 23,431,866

On November 1, 1996, Sacramento Area Flood Control Agency issued $1,335,000 of serial series and $4,165,000 of term series 1996 Subordinated Operation and Maintenance Assessment Bonds. The interest rate on the serial series bonds range from 4.45% to 5.25%. The interest rates on the term bonds are 5.8% and 5.9%. The bonds are secured by special capital assessments and operations and maintenance assessments levied by SAFCA on property in the Operation Assessment District No. 1 and by certain other funds and accounts.

On October 1, 2005, Sacramento Area Flood Control Agency issued $34,595,000 of term series 2005 North Area Local Project Capital Assessment District No. 2 Bonds with interest rates ranging from 4.8 to 5.38 percent. Proceeds from this were used to (i) establish irrevocable escrows to refund in full the $34,880,000 of North Area Local Project Capital Assessment District No. 2 Bonds, 1995 Series and $4,695,000 of North Area Local Project Capital Assessment District No. 2 Subordinated, 1996 Series; (ii) to finance certain facilities of SAFCA; (iii) purchase a Reserve Surety Bond in the amount of the reserve fund requirement. The bonds were secured by special capital assessments to be levied by SAFCA on property in SAFCA's NALP Capital Assessment District No. 2 and by certain other fund accounts.

As a result, the 1995 NALP Series and the 1996 NALP Series are considered to be defeased and the liability for those bonds has been removed from the Sacramento Area Flood Control Agency financial statements. The advance refunding will result in reducing the debt service payments by $7,877,500 to obtain an economic gain on the refunding (difference between the present value of the debt service payments on the refunded debt and refund debt) of $1,804,937.

SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations for the fiscal year ended June 30, 2006 were as follows:

	July 1, 2005 Balance	Increase	Decrease	June 30, 2006 Balance	Due within one year
Revenue Bonds	$ 44,270,000	$ 34,595,000	$ (39,700,000)	$ 39,165,000	$ 805,000
Add: Issuance premium	-	2,231,884	(111,594)	2,120,290	111,594
Less: Loss on Refunding	-	(2,095,113)	104,756	(1,990,357)	(104,756)
Total	$ 44,270,000	$ 34,731,771	$ (39,706,838)	$ 39,294,933	$ 811,838

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment every five years. The potential liability, if any, to be paid November 2006 will fluctuate based upon the stream of construction drawdowns and changing investment yields. As of June 30, 2006, SAFCA has no arbitrage liability.

NOTE 9 – DEBT AND BOND COVENANTS

Pursuant to the Series 2005 NALP Capital Assessment District No. 2 Bond Agreement, SAFCA is required to faithfully perform and abide by all of the covenants, undertakings, and provisions detailed in the bond agreement. Specific covenants include the following:

- SAFCA will use the funds for the advanced refunding of the 1995 & 1996 NALP bonds.
- SAFCA will punctually pay all interest on and principal of and redemption premium, if any, when due.
- SAFCA will not issue any evidences of indebtedness payable nor permit the creation of any pledge, lien, charge or other encumbrances upon any funds in the Special Capital Assessments Fund or the Coverage Fund.
- SAFCA will not take any action, or fail to take action, which would adversely affect exclusion from federal income taxation.
- Not less than 90 days after the fiscal year end, SAFCA will institute foreclosure proceedings for all delinquent special capital assessments as authorized by the Act.

For the year ended June 30, 2006, SAFCA has complied with the preceding provisions.

NOTE 10 – RISK MANAGEMENT

SAFCA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAFCA reports all of its risk management activities in its General Fund. SAFCA purchases commercial insurance for property damage and liability through an insurance agent, who obtains the appropriated insurance coverage needed by SAFCA from insurance companies.

In addition, SAFCA participates in the County's self-insurance program for workers' compensation and employer's liability. Annual premiums are based primarily on claims experience. Current premiums are charged to expense when paid.

SAFCA deductibles and maximum coverage follows:

Coverage	Limits	Deductible	Carrier	Policy Number
General Liability, Public Officials Liability and Automobile Liability	$15,000,000 Occurrence $15,000,000 Aggregate	$100,000 SIR applies to General Liability, Public Officials Liability and Automobile Liability	CSAC Excess Insurance Authority	CPEIA 03 EL-62
Workers' Compensation and Employer's Liability	WC – $150,000,000 Employers' Liability - $5,000,000	$2,000,000	CSAC Excess Insurance Authority	EIA 05-EWC-30 (This is the County's self-insurance program)
Property	$5,953,856	$1,000	Lexington Insurance	RKMI05900607
Boiler and Machinery	$5,883,953	$2,500	CNA	BM1098667200

During the past three fiscal years, there were no instances of settlements, which exceeded insurance coverage and no significant reductions in insurance coverage.

NOTE 11 – SUBSEQUENT EVENT

As of June 15, 2006 board meeting, the SAFCA Board approved the authorization for its Executive Director to issue Bond Anticipation Notes (BANS) to be purchased by the City and County of Sacramento, in the amount of $5 million each, to fund the cost of designing and constructing levee improvements around the Natomas Basin and creating a new capital assessment district to finance construction of these improvements. On September 12, 2006, the Board of Supervisors of the County of Sacramento authorized the Director of Finance to purchase $5 million of BAN issued by SAFCA, with proceeds from the County of Sacramento Pooled Investment Fund. On September 12, 2006, The City Council of Sacramento approved the proposed financing of the Project by the issuance by the Agency of its Notes. The terms of the BANs will be a fixed interest rate of 6.25 % for five years and two months; under a fifteen year amortization schedule with principal payment reduction rounded up to $5,000. SAFCA may redeem the BANs at any time upon at least seven-calendar days notice.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO AREA FLOOD CONTROL AGENCY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Special benefit assessments	$ 6,100,000	$ 6,100,000	$6,491,373	$ 391,373
Special capital assessments	1,662,063	1,662,063	-	(1,662,063)
Intergovernmental	-	-	575,969	575,969
Interest and other income	116,600	116,600	298,246	181,646
Total revenues	7,878,663	7,878,663	7,365,588	(513,075)
EXPENDITURES				
Current:				
Public protection	10,528,619	10,528,619	8,117,544	2,411,075
Deficiency of revenues under expenditures	(2,649,956)	(2,649,956)	(751,956)	1,898,000
OTHER FINANCING USES				
Transfers out	-	-	(386,734)	(386,734)
Total other financing uses	-	-	(386,734)	(386,734)
NET CHANGE IN FUND BALANCE	$ (2,649,956)	$ (2,649,956)	($1,138,690)	$ 1,511,266

See note to the required supplementary information.

SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 – BUDGET

Encumbrances, which are commitments related to the future purchase of goods or services, are recorded in General Fund, special revenue fund, debt service funds, and capital projects funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent-year expenditures.

The Sacramento Area Flood Control Agency's budget for governmental funds is prepared on the modified accrual basis of accounting. Encumbrances not liquidated in the current year are added to the subsequent-year budget for reporting and control purposes.

SUPPLEMENTAL INFORMATION

SACRAMENTO AREA FLOOD CONTROL AGENCY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Fund	Debt Service Funds				Total Nonmajor Governmental Funds
	Reoperation Mitigation	Surplus	Redemption	Reserve	Assessment Obligation	
ASSETS						
Cash and investments	$ -	$ 4	$ 12	$ 429,682	$ 388,978	$ 818,676
Interest receivable	-	-	-	4,087	3,438	7,525
Total assets	$ -	$ 4	$ 12	$ 433,769	$ 392,416	$ 826,201
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other governments	$ 99	$ 4	$ 12	$ -	$ -	$ 115
Total liabilities	99	4	12	-	-	115
Fund balances:						
Reserved for:						
Debt service	-	-	-	433,769	392,416	826,185
Unreserved:						
Special revenue fund	(99)	-	-	-	-	(99)
Total fund balances	(99)	-	-	433,769	392,416	826,086
Total liabilities and fund balances	$ -	$ 4	$ 12	$ 433,769	$ 392,416	$ 826,201

SACRAMENTO AREA FLOOD CONTROL AGENCY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Fund	Debt Service Funds				Total Nonmajor
	Reoperation Mitigation	Surplus	Redemption	Reserve	Assessment Obligation	Governmental Funds
REVENUES						
Interest and other income	$ (39)	$ (1,242)	$ (1,289)	$ (544)	$ 25,058	$ 21,944
Total revenues	(39)	(1,242)	(1,289)	(544)	25,058	21,944
EXPENDITURES						
Debt service:						
Principal	-	-	125,000	-	-	125,000
Interest	-	-	268,221	-	-	268,221
Total expenditures	-	-	393,221	-	-	393,221
Excess (deficiency) of revenues over (under) expenditures	(39)	(1,242)	(394,510)	(544)	25,058	(371,277)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	393,221	-	386,734	779,955
Transfers out	-	(126,971)	(266,776)	(3,418,093)	(393,221)	(4,205,061)
Total other financing sources (uses)	-	(126,971)	126,445	(3,418,093)	(6,487)	(3,425,106)
NET CHANGE IN FUND BALANCES	(39)	(128,213)	(268,065)	(3,418,637)	18,571	(3,796,383)
Fund balances - July 1	(60)	128,213	268,065	3,852,406	373,845	4,622,469
Fund balances - June 30	$ (99)	$ -	$ -	$ 433,769	$392,416	$ 826,086

SACRAMENTO AREA FLOOD CONTROL AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Federal Agency Pass-Through Agency Federal Program Title	CFDA Number		Program Expenditures
U.S. Department of Defense (Army Corp of Engineers)			
Direct			
Flood Control Projects	12.106	$	3,638,006
Total U.S. Department of Defense			3,638,006
Total Federal Awards		$	3,638,006

See accompanying notes to Schedule of Expenditures of Federal Awards.

SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 – GENERAL

The Schedule of Expenditures of Federal Award includes the federal grant activity of SAFCA. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on this schedule.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Award is presented using the modified accrual basis of accounting for program expenditures accounted as described in Note 1 of SAFCA's basic financial statements.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA number included in the accompanying Schedule of Expenditures of Federal Award was determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of Federal Award agree or can be reconciled with amounts reported in the related federal financial assistance reports.

NOTE 5 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal financial assistance expenditures agree or can be reconciled with the amounts reported in SAFCA's basic financial statements.

OTHER REPORTS

MACIAS GINI & O'CONNELL LLP
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Board of Directors
Sacramento Area Flood Control Agency
Sacramento, California

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sacramento Area Flood Control Agency (SAFCA) as of and for the year ended June 30, 2006, which collectively comprise SAFCA's basic financial statements and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SAFCA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAFCA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of SAFCA's management, the Board of Directors, and state and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 21, 2006

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Sacramento, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH BOND COVENANTS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Area Flood Control Agency (SAFCA), as of and for the year ended June 30, 2006, which collectively comprise SAFCA's basic financial statements and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

In connection with our audit, nothing came to our attention that caused us to believe that SAFCA failed to comply with the provisions of the of the Series 1996 Subordinated Operation and Assessment District No. 1 Bond Agreement, Resolution 96-266, Article V, Sections 5.01 to 5.10 and the Series 2005 North Area Local Project Capital Assessment District No. 2 Bonds, Resolution No. 05-016, Article V, Section 5.05, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management of SAFCA and its Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 21, 2006

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Sacramento, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Sacramento Area Flood Control Agency (SAFCA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. SAFCA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of SAFCA's management. Our responsibility is to express an opinion on SAFCA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SAFCA's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on SAFCA's compliance with those requirements.

In our opinion, SAFCA complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of SAFCA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered SAFCA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of SAFCA Board of Directors and management and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 21, 2006

SACRAMENTO AREA FLOOD CONTROL AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

Program Title	CFDA Number
Flood Control Projects	12.106

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

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APPENDIX C

DTC AND THE BOOK-ENTRY ONLY SYSTEM

This Appendix describes how ownership of the Series 2007 Bonds is to be transferred and how the principle of, premium, if any, and interest on the Series 2007 Bonds are to be paid to and accredited by DTC while the Series 2007 Bonds are registered in its nominee name. The information in this Appendix concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Agency believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof,

The Agency cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Series 2007 Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Series 2007 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2007 Bond will be issued for each maturity and series of the Series 2007 Bonds in the aggregate principal amount of each such maturity and series and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Series 2007

Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2007 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2007 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Agency or the Treasurer on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the Agency, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2007 Bonds at any time by giving reasonable notice to the Agency and the Treasurer. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2007 Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2007 Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Series 2007 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Series 2007 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

Certain provisions of the Resolution are summarized below. This summary of the Resolution is not to be considered a full description thereof, and reference should be made to a complete copy of the Resolution for a full description of such document. A complete copy of the Resolution is on file and available for inspection at the office of the Clerk of the Board of Directors of the Sacramento Area Flood Control Agency.

DEFINITIONS OF CERTAIN TERMS

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

"Acquisition and Construction Fund" means the Sacramento Area Flood Control Agency Consolidated Capital Assessment District Acquisition and Construction Fund established by the Resolution.

"Act" means the Sacramento Area Flood Control Agency Act (being Chapter 130 of West's Ann. Cal. Water Code App.), and all laws amendatory thereof or supplemental thereto.

"Agency" means the Sacramento Area Flood Control Agency, a joint exercise of powers agency duly organized and existing under the laws of the State of California and exercising the powers granted to it under the Act.

"Annual Debt Service" means for any Fiscal Year, the Debt Service for such Fiscal Year.

"Assessable Land" means all land within the Assessment District subject to the annual levy of Consolidated Capital Assessments under the Act in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Consolidated Capital Assessments, as more particularly described in the Engineer's Report.

"Assessment District" means the Sacramento Area Flood Control Agency Consolidated Capital Assessment District.

"Board" means the Board of Directors of the Agency.

"Bonds" means all bonds of the Agency at any time Outstanding under the Resolution that are executed, issued and delivered in accordance with the provisions of the Act and the Resolution and that were authorized at the public hearing held in the Agency on April 19, 2007 and by the proceedings for the formation of the Assessment District, and any refunding bonds issued under the Act to refund any of such bonds. "Serial Bonds" means Bonds for which no Sinking Fund Account Payments are established. "Term Bonds" means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

"Certificate of the Agency" means an instrument in writing signed by the Executive Director, or by any other officer of the Agency duly authorized by the Board for that purpose, and by the Clerk.

"Clerk" means the Clerk of the Board of Directors of the Agency.

"Code" means the Internal Revenue Code of 1986 and the regulations issued thereunder from time to time, and in this regard reference to any particular section of the Code shall include reference to any successor to such section of the Code.

"Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund" means the fund established under that name pursuant to the Resolution.

"Consolidated Capital Assessment Fund" means the Sacramento Area Flood Control Agency Consolidated Capital Assessment District Consolidated Capital Assessment Fund established by the Resolution.

"Consolidated Capital Assessments" means all special capital assessments levied and collected annually on all Assessable Land in the Assessment District under and pursuant to the Act, as more particularly described in the Engineer's Report.

"Consolidated Capital Assessments Available for Debt Service" means, for any period of calculation, (1) the Consolidated Capital Assessments levied and collected on all Privately Owned Assessable Land and (2) the Consolidated Capital Assessments on all Governmentally-Owned Assessable Land transferred from the Prepayment Fund to the Consolidated Capital Assessment Fund; provided, however that amounts described in this clause (2) shall only be included in this definition to the extent that the Consolidated Capital Assessments prepaid with respect to such Governmentally-Owned Assessable Land have been prepaid in full for the entire term that any such Consolidated Capital Assessments may be levied pursuant to the Act.

"Debt Service" means, for any Fiscal Year, the sum of (1) the interest payable during such Fiscal Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the sum of all Sinking Fund Account Payments applicable to such Term Bonds (except to the extent that such interest is to be paid from the proceeds of sale of any of the Bonds), plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Fiscal Year, plus (3) the aggregate amount of all Sinking Fund Account Payments required to be deposited in the Sinking Fund Subaccounts provided for in the Resolution and in all Supplemental Resolutions in such Fiscal Year.

"Engineer's Report" means the Final Engineer's Report for the Assessment District, as confirmed by Resolution No. 07-030 adopted by the Board on April 26, 2007.

"Executive Director" means the Executive Director of the Agency.

"Facilities" means those certain flood control facilities in and for the Assessment District consisting of a series of levee and other flood control improvements to be acquired and constructed in and for the Assessment District under and pursuant to the Act, as more particularly described in the Engineer's Report.

"Federal Securities" means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal, or securities evidencing direct ownership interests in such obligations or in specified portions of the interest on or principal of such obligations that are held by a custodian in safekeeping on behalf of the owners of such securities.

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Agency as its Fiscal Year in accordance with applicable law.

"Fitch" means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the state of its incorporation, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Agency.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"Governmentally-Owned Assessable Land" means all Assessable Land that is owned by a local, state or federal governmental entity.

"Holder" means any person who shall be the registered owner, as shown in the registration books maintained by the Treasurer pursuant to the Resolution, of any Outstanding Bond.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Agency, and who, or each of whom --

(1) is in fact independent and not under the domination of the Agency;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the Agency; and

(3) is not connected with the Agency as a member of the Board or an officer or employee of the Agency, but who may be regularly retained to audit the accounting records of and make reports thereon to the Agency.

"Maximum Annual Debt Service" means the greatest Debt Service in any Fiscal Year during the period beginning with the then current Fiscal Year and ending with the Fiscal Year in which the last Outstanding Bonds mature by their terms.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Agency.

"Opinion of Counsel" means a written opinion of counsel (including, without limitation, counsel for the Agency) retained by the Agency.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Resolution) all Bonds except --

(1) Bonds cancelled and destroyed by the Treasurer or delivered to the Treasurer for cancellation and destruction;

(2) Bonds paid or deemed to have been paid within the meaning of the provisions of the Resolution; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Agency and authenticated and delivered by the Treasurer pursuant to the Resolution.

"Permitted Investments" means any of the following obligations if and to the extent that, at the time of making the investment, they are permitted by law:

(1) Direct obligations of, or obligations the interest on and principal of which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including a receipt,

certificate or any other evidence of an ownership interest in such an obligation or in specified portions thereof (which may consist of specified portions of interest thereon);

(2) Obligations issued by the Resolution Funding Corporation, the Student Loan Marketing Association, the Federal National Mortgage Association, the Federal Home Loan Bank Board, the Federal Farm Credit Bank or the Federal Home Loan Mortgage Association, or obligations, participations or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);

(3) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase through a bank that is a member of the Federal Reserve System and which are drawn on any such commercial bank the short-term obligations of which are rated in the highest letter and numerical rating category as provided by each of the Rating Agencies; provided, that purchases of eligible bankers' acceptances may not exceed one hundred eighty (180) days' maturity;

(4) Commercial paper of "prime" quality of the highest letter and numerical rating category as provided by each of the Rating Agencies, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars ($500,000,000) and that have an "A" or higher rating for the issuer's unsecured debentures, other than commercial paper, as provided by each of the Rating Agencies; provided, that purchases of eligible commercial paper may not exceed one hundred eighty (180) days' maturity nor represent more than ten percent (10%) of the outstanding commercial paper of an issuing corporation; or medium-term notes with a maximum maturity of five (5) years and subject to the credit qualifications listed above;

(5) Negotiable and non-negotiable certificates of deposit or thrift or bank notes issued by a state or national bank or a state-licensed branch of a foreign bank that have maturities of not more than three hundred sixty-five (365) days and that are fully insured by the Federal Deposit Insurance Corporation or the short term obligations of which state or national bank or state-licensed branch of a foreign bank are rated no lower than "A1" by Moody's and "A+" by Standard & Poor's (if either such Rating Agency is then rating any of the Bonds, as the case may be);

(6) Any repurchase agreement or reverse repurchase agreement of any securities enumerated in subdivisions (1) and (2) of this definition with any state or national bank or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, and with respect to any such repurchase agreement, it is either: (A) with any institution which has debt rated no lower than "A1" by Moody's and "A+" by Standard & Poor's or whose commercial paper is rated no lower than "P-1" by Moody's and "A-1" by Standard & Poor's (if either such Rating Agency is then rating any of the Bonds, as the case may be); (B) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (1) the term of such repurchase agreement is less than one (1) year or due on demand; (2) the Treasurer or a third party acting solely as agent for the Treasurer has possession of the collateral; (3) the market value of the collateral (as determined at least once in every seven (7) days) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to each of the Rating Agencies; (4) failure to maintain the requisite collateral levels will require the Treasurer to liquidate the collateral immediately; and (5) the repurchase agreement securities are free and clear of any third-party lien or claim; or (C) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that (1) the market value of the collateral (as determined at least once in every seven (7) days) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to each of the Rating Agencies; (2) the Treasurer or a third party acting solely as agent for the Treasurer has possession of the collateral; (3) the Treasurer has a perfected first priority security interest in the collateral; (4) the collateral is free and clear of third-party liens and in the case of a Securities Investors Protection Corporation broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (5) failure to maintain the requisite collateral percentage will require the Treasurer to liquidate the collateral immediately; and with respect to any such reverse repurchase agreement, the investment is solely done to supplement the income normally received from such securities;

(7) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State of California or any local agencies therein which are rated in the highest short-term rating category or within one of the three highest long-term rating categories by each of the Rating Agencies (excluding securities that do not have a fixed par value and/or whose terms do not provide a fixed dollar amount at maturity or call date);

(8) For amounts less than one hundred thousand dollars ($100,000), interest-bearing demand or time deposits (including certificates of deposit) in a state or national bank fully insured by the Federal Deposit Insurance Corporation; provided, that not greater than one hundred thousand dollars ($100,000) in the aggregate shall be deposited in any one financial institution;

(9) Investments in units of a money-market fund portfolio that is rated in the highest letter and numerical rating category by each of the Rating Agencies and that is composed of obligations guaranteed by the full faith and credit of the United States of America or repurchase agreements collateralized by such obligations;

(10) Upon prior notification to each of the Rating Agencies, investment agreements that meet and maintain the following credit and collateral requirements: (A) If with a corporation or a domestic bank, they are initially rated (or the guarantor of such provider is rated) in at least the rating category assigned by each of the Rating Agencies to the Bonds and (if a domestic bank) Fitch "B/C" or better, and if with a foreign bank, they are initially rated Fitch "B" or better; (B) The provider (or the guarantor of such provider) must maintain minimum credit quality at least equal to the rating category assigned by each of the Rating Agencies to the Bonds and (if a domestic bank) Fitch "C" for domestic banks, and Fitch "B/C" for foreign banks; and (C) The investment agreement will be terminated if the provider's (or the guarantor of such provider) credit ratings fall below the rating category assigned by each of the Rating Agencies to the Bonds and (if a domestic bank) Fitch "C/D" for domestic banks, and Fitch "C" for foreign banks;

(11) Investments in the Local Agency Investment Fund maintained by the Office of the California State Treasurer, which such investments shall only be invested in the special portion of the Local Agency Investment Fund for bond proceeds that are not subject to arbitrage restrictions; provided, that the Treasurer shall be designated as the authorized authority to transact these investments;

(12) Investments in the County of Sacramento Pooled Fund; and

(13) Investments approved in writing by each of the Rating Agencies;

"Prepayment Fund" means the Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds Prepayment Fund established by the Resolution.

"Privately Owned Assessable Land" means all Assessable Land that is not Governmentally-Owned Assessable Land.

"Rating Agencies" means Moody's, Standard & Poor's and Fitch, but only to the extent that any of them is then rating any of the Bonds at the request of the Agency.

"Rebate Fund" means the Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds Rebate Fund established by the Resolution.

"Redemption Account" means the account referred to by that name in the Consolidated Capital Assessment Fund established by the Resolution.

"Required Reserve" means, as of any date of determination, the least of (i) ten percent (10%) of the initial offering price to the public of the Bonds (as determined under the Code), or (ii) the Maximum Annual Debt Service on the Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual Debt Service on the Bonds during the period beginning with the then current Fiscal Year and ending with the Fiscal Year in which the last Outstanding Bonds mature by their terms, but not greater than the maximum amount permitted to be held in the Reserve Account under the Code; provided, that, upon prior notification to each of the Rating Agencies, such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to the highest rating assigned by each of the Rating Agencies.

"Reserve Account" means the account referred to by that name in the Consolidated Capital Assessment Fund established by the Resolution.

"Resolution" means Resolution No. 07-052 adopted by the Board on May 31, 2007, under and pursuant to the Act, as originally adopted and as it may from time to time be amended or supplemented by all Supplemental Resolutions adopted pursuant to the provisions thereof.

"Series" means all Bonds authorized and established pursuant to the Resolution or to a Supplemental Resolution as constituting a single Series and delivered on original issuance in a simultaneous transaction pursuant to Article II or Article V of the Resolution, and any Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Resolution.

"Series 2007 Bonds" means, collectively, the Series 2007A Bonds and the Series 2007B Bonds.

"Series 2007A Bonds" means the Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds, Series 2007A authorized to be issued by the Resolution.

"Series 2007B Bonds" means the Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds, Taxable Series 2007B authorized to be issued by the Resolution.

"Sinking Fund Account Payments" means the payments required by the Resolution and by all Supplemental Resolutions to be deposited in all Sinking Fund Subaccounts for the payment of all Term Bonds.

"Sinking Fund Subaccount" means any subaccount established by the Resolution or any Supplemental Resolution in the Redemption Account for the payment of Term Bonds of any Series.

"Standard & Poor's" means Standard & Poor's Ratings Group, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Agency.

"Supplemental Resolution" means any resolution then in full force and effect that has been duly adopted by the Board under and pursuant to the Act at a meeting of the Board duly convened and held, at which a quorum was present and acted thereon, amendatory of the Resolution or supplemental thereto; but only to the extent that such Supplemental Resolution is specifically authorized under the Resolution.

"Tax Certificate" means collectively all certificates delivered, in each case, upon the issuance of each Series of the Tax-Exempt Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

"Tax-Exempt Bonds" means the Series 2007A Bonds, and any additional Series of Bonds the interest on which is excluded from gross income for federal income tax purposes whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Treasurer" means the Director of Finance of the County of Sacramento, as treasurer of the Agency.

"Written Request of the Agency" means an instrument in writing signed by the Executive Director, or by any other officer of the Agency duly authorized by the Board for that purpose.

THE RESOLUTION

The Resolution sets forth the terms of the Series 2007 Bonds authorized thereunder, the application of the proceeds of the Series 2007 Bonds, the nature and extent of the security for the Bonds and various rights of the Holders of the Bonds. Certain provisions of the Resolution are summarized below. Other provisions are summarized in this Official Statement under the captions "THE SERIES 2007 BONDS" and "SECURITY FOR THE SERIES 2007 BONDS." These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of the Resolution.

Conditions for the Issuance of Additional Series of Bonds

The Agency may at any time issue a Series of Bonds (in addition to the Series 2007 Bonds) payable from the proceeds of the Consolidated Capital Assessments and the other funds as provided in the Resolution on a parity with all other Bonds issued under the Resolution, but only subject to the following conditions, which are conditions precedent to the issuance of each such Series of Bonds:

(a) The issuance of such Series of Bonds shall have been authorized under and pursuant to the Act and under and pursuant to the Resolution and shall have been provided for by a Supplemental Resolution which shall specify the following:

(1) The purpose for which such Series of Bonds is to be issued; provided, that the proceeds of sale of such Series of Bonds shall be applied solely for the purpose of providing funds (i) for the payment of costs of the acquisition and construction of the Facilities (or for making reimbursements to the Agency or any other entity for any such costs of acquisition and construction theretofore paid by it), including payment of costs incidental to or connected with such acquisition and construction and the issuance of such Series of Bonds, and/or (ii) for the repayment of funds advanced to or for the Assessment District used for such purposes, and/or (iii) for refunding any of the Bonds;

(2) The principal amount and designation of such Series of Bonds and the denomination or denominations of the Bonds of such Series of Bonds;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which Sinking Fund Account Payments are due, if any, for such Series of Bonds; provided, that (i) the Serial Bonds of such Series of Bonds shall be payable as to principal annually on October 1 of each year in which principal falls due for such Series of Bonds, and the Term Bonds of such Series of Bonds shall have annual mandatory redemption on October 1 of each year in which Sinking Fund Account Payments are due for such Series of Bonds, (ii) the Bonds of such Series of Bonds shall be payable as to interest semiannually on April 1 and October 1 of each year, except that the first installment of interest may be payable on either April 1 or October 1 and shall be for a period of not longer than twelve (12) months and the interest shall be payable thereafter semiannually on April 1 and October 1, (iii) all Bonds of such Series of Bonds of like maturity shall be identical in all respects, except as to number or denomination, and (iv) serial

maturities of Serial Bonds of such Series of Bonds or Sinking Fund Account Payments for Term Bonds of such Series of Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Series of Bonds on or before their respective maturity dates;

(4) The redemption premiums and terms, if any, for such Series of Bonds;

(5) The form of the Bonds of such Series of Bonds;

(6) The amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the Redemption Account and provisions concerning its use to pay interest on the Bonds;

(7) The amount to be deposited from the proceeds of sale of such Series of Bonds in the Reserve Account; provided, that the Reserve Account shall be increased at the time that such Series of Bonds becomes Outstanding to an amount at least equal to the Required Reserve, and an amount at least equal to the Required Reserve shall thereafter be maintained in the Reserve Account;

(8) The amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the Acquisition and Construction Fund and/or the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in an appropriate fund to be used to refund any Outstanding Bonds; and

(9) Such other provisions as are appropriate or necessary and are not inconsistent with the provisions of the Resolution;

(b) The Agency shall be in compliance with all agreements, conditions, covenants and terms contained in the Resolution and in all Supplemental Resolutions required to be observed or performed by it; and

(c) (1) The Consolidated Capital Assessments Available for Debt Service for the most recently completed Fiscal Year for which audited financial statements are available, as shown by a Certificate of the Agency on file with the Treasurer, are equal to at least one hundred ten percent (110%) of the Maximum Annual Debt Service on all Bonds to be Outstanding after the issuance of such Series of Bonds; or

(2) The Consolidated Capital Assessments Available for Debt Service that (i) are expected to be collected during the current Fiscal Year or (ii) were collected during the immediately preceding Fiscal Year or (iii) are expected to be collected during the next succeeding Fiscal Year, in each case as shown by a Certificate of the Agency on file with the Treasurer, are equal to at least one hundred ten percent (110%) of Maximum Annual Debt Service on all Bonds to be Outstanding after the issuance of such Series of Bonds;

provided, that nothing contained in the Resolution shall limit the issuance of any Series of Bonds payable from the Consolidated Capital Assessments as provided in the Resolution for the purpose of refunding any Outstanding Bonds if the Debt Service in the current and each succeeding Fiscal Year is not increased by reason of the issuance of such Series of Bonds; and provided further, that nothing contained in the Resolution shall limit the issuance of any bonds of the Agency payable from the Consolidated Capital Assessments as provided in the Resolution if after the issuance and delivery of such bonds none of the Bonds theretofore issued under the Resolution will be Outstanding and nothing contained in the Resolution shall limit the ability of the Agency to issue or incur bonds or other obligations that are secured by a pledge, lien or other encumbrance on Consolidated Capital Assessments on deposit in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund so long as that pledge, lien or encumbrance is subordinate to the pledge, lien and encumbrance on Consolidated Capital Assessments that secures the Bonds.

Acquisition and Construction Fund

The Resolution establishes in the treasury of the County of Sacramento a fund to be known as the "Sacramento Area Flood Control Agency Consolidated Capital Assessment District Acquisition and Construction Fund," into which fund shall be deposited the amounts required to be deposited therein by the provisions of the Resolution and of each Supplemental Resolution providing for the issuance of each Series of Bonds. All money in the Acquisition and Construction Fund for any Series of Bonds shall be applied in the manner provided by the Act solely (i) for the payment of costs of the acquisition and construction of the Facilities (or for making reimbursements to the Agency or any other entity for any such costs of acquisition and construction theretofore paid by it), including payment of costs incidental to or connected with such acquisition and construction and the issuance of the Bonds of such Series, and/or (ii) for the repayment of funds advanced to or for the Assessment District used for such purposes; provided, that any remaining money in the Acquisition and Construction Fund for such Series of Bonds after the completion of such purposes (as determined by the Board and set forth in a Certificate of the Agency filed with the Treasurer) shall be withdrawn by the Treasurer from the Acquisition and Construction Fund for such Series of Bonds and deposited by the Treasurer in the Consolidated Capital Assessment Fund, and the Acquisition and Construction Fund for such Series of Bonds shall be closed.

Deposit of Proceeds of the Consolidated Capital Assessments in the Consolidated Capital Assessment Fund, Pledge of Consolidated Capital Assessment Fund and Consolidated Capital Assessments, Allocation of Money in the Consolidated Capital Assessment Fund

All proceeds received by the Agency from the annual levy and collection of the Consolidated Capital Assessments, when and as received, will be deposited by the Agency with the Treasurer in the "Sacramento Area Flood Control Agency Consolidated Capital Assessment District Consolidated Capital Assessment Fund," which fund the Treasurer shall establish and maintain so long as any Bonds shall be Outstanding under the Resolution, and all money in such fund shall be held by the Treasurer in trust thereunder and shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Resolution and described below.

As security for the payment of the principal of, premium, if any, and interest on the Bonds, the Agency, pursuant to the Resolution, irrevocably pledges to the Treasurer for the benefit of the Holders the Consolidated Capital Assessment Fund and all of the Consolidated Capital Assessments, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The aforementioned collateral shall immediately be subject to such pledge, and such pledge shall constitute a lien and security interest which shall immediately attach to the collateral and be effective, binding and enforceable against the Agency and all others asserting rights therein, to the extent set forth, and in accordance with, the Resolution irrespective of whether those parties have notice of such pledge and without the need for any physical delivery, recordation, filing, or further act.

All money in the Consolidated Capital Assessment Fund shall be set aside by the Treasurer in the following respective special accounts within the Consolidated Capital Assessment Fund (each of which accounts is created by the Resolution) in the following order of priority, and all money in each of such accounts shall be applied, used and withdrawn only for the purposes authorized in the Resolution, namely:

(1) Redemption Account.

(i) Each year, when and as money is deposited in the Consolidated Capital Assessment Fund as provided in the Resolution, the Treasurer shall, from the money in the Consolidated Capital Assessment Fund, transfer to and deposit in the Redemption Account an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on or before the first (1st) day of the next succeeding October, beginning with October 1, 2008. The Treasurer shall then, from the remaining money in the Consolidated Capital Assessment Fund, transfer to and deposit in the Redemption Account an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on or before such date plus the aggregate amount of all Sinking Fund Account Payments required to be made on or before that date into all Sinking Fund Subaccounts for all Outstanding Term Bonds; provided, that all such Sinking Fund Account Payments shall be made without priority of any payment of any Sinking Fund Account Payment over any other Sinking Fund Account Payment. In the event that the money in the Redemption Account on any October 1 is not equal to the amount of principal to become due and payable on the Outstanding Serial Bonds of all Series of Bonds on such October 1 plus the principal of the Outstanding Term Bonds required to be redeemed or paid at maturity on such October 1, then such money shall be applied pro rata in such proportion as such Serial Bonds and such Term Bonds shall bear to each other, after first deducting for such purposes from such Term Bonds any of such Term Bonds required to be redeemed as shall have been redeemed or purchased during the twelve-month period ending on such October 1 and commencing on the immediately preceding October 2. No deposit need be made into the Redemption Account if the amount of money contained therein is at least equal to the amount required by the terms of this paragraph to be deposited therein at the times and in the amounts provided in the Resolution.

(ii) All money in the Redemption Account shall be used and withdrawn by the Treasurer to pay the interest on the Bonds as they shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity) plus the principal of the Bonds as they shall mature or upon the mandatory redemption thereof, except that any money in any Sinking Fund Subaccount shall be used only to purchase or redeem or retire the Term Bonds for which such Sinking Fund Subaccount was created as provided herein or in any Supplemental Resolution.

(2) Reserve Account.

(i) Once all deposits to the Redemption Account required as described above have been made, the Treasurer shall then, from the remaining money in the Consolidated Capital Assessment Fund, transfer to and deposit in the Reserve Account such amount of money as shall be required to restore the Reserve Account to the Required Reserve; and for this purpose all investments in the Reserve Account shall be valued at least once each year and, in any event, each day prior to a deposit of Consolidated Capital Assessments into the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund pursuant to the Resolution as described below at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments plus the amortization of any premium or minus the amortization of any discount, or (ii) the market value of such investments, and for this latter purpose, market value on any such date shall mean the last reported transaction price of such investments or, if not reported, the mean of the closing bid and asked prices of such investments on the next preceding business day as reported in The Wall Street Journal (or, if such publication is unavailable, in such other financial publication of national standing as may be selected by the Treasurer), except that as to any investments the bid and asked prices of which are not published on a regular basis, market value shall mean the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Treasurer in his sole discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service. No deposit need be made into the Reserve Account if the value of the money and investments contained therein is at least equal to the Required Reserve.

(ii) All money in the Reserve Account shall be used by the Treasurer solely for the purpose of paying the interest on or principal of the Bonds in the event there is insufficient money available in the Redemption Account, in such order, for this purpose or for the retirement of all Bonds then Outstanding; provided, that if as a result of any of the foregoing valuations it is determined that the amount of money in the Reserve Account exceeds the Required Reserve, the Treasurer shall withdraw the amount of money representing such excess from such account and shall deposit such money in the Redemption Account.

Once all deposits to the Redemption Account and all deposits to the Reserve Account each as described above have been made, the Treasurer shall transfer to and deposit in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund (which fund is created pursuant to the Resolution) all then remaining money in the Consolidated Capital Assessment Fund. The Treasurer shall establish and maintain the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund for at least so long as any Bonds are Outstanding hereunder and shall hold such fund free of the trust, pledge, lien and encumbrance created by this Resolution. The money deposited in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund shall be used by the Agency for any lawful purpose in accordance with the Act; provided, that the Treasurer shall not deposit any money in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund if and when the Agency is in default under the Resolution.

Prepayment Fund

All proceeds from prepayments of the Consolidated Capital Assessments, if and when permitted under the Act and when and as received by the Agency, will be deposited by the Agency with the Treasurer in the "Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds Prepayment Fund," which fund the Treasurer shall establish and maintain so long as any Bonds shall be Outstanding under the Resolution. All money in the Prepayment Fund shall be held by the Treasurer in trust thereunder and shall be disbursed, allocated and applied solely to purchase direct obligations of the United States of America or obligations the payment of the interest on and principal of which is guaranteed by a pledge of the full faith and credit of the United States of America; provided, that (i) such investments shall not be at a yield greater than the yield on the Tax-Exempt Bonds in compliance with the Resolution, and (ii) the obligations so purchased shall mature on or prior to the date upon which the proceeds thereof are needed and shall be in amounts (together with other moneys available therefor) sufficient to pay the maximum assessments payable with respect to the properties to which such prepayment relates on the dates such assessments would otherwise be payable. All receipts under any such investments shall be deposited in the Consolidated Capital Assessment Fund as and when received; provided, that the Agency agrees and covenants that it will not permit any prepayment of the Consolidated Capital Assessments and the purchase of any obligations as provided in the Resolution unless it shall have first obtained and filed with the Treasurer an opinion of an independent municipal financing consultant that the purchase and use of any such obligations to satisfy the requirement of the Agency to pay Debt Service will not have an adverse effect on the security for the Bonds.

Punctual Payment and Performance

The Agency will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued under the Resolution in strict conformity with the terms of the Act and the Resolution and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Resolution and in the Bonds required to be observed and performed by it.

Against Indebtedness and Encumbrances

The Agency will not issue any evidences of indebtedness payable from the proceeds of the Consolidated Capital Assessments except as provided in the Resolution, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any funds in the Consolidated Capital Assessment Fund other than as provided in the Resolution.

Against Federal Income Taxation

The Agency will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Tax-Exempt Bonds pursuant to Section 103 of the Code, and specifically the Agency will not directly or indirectly use or make any use of the proceeds of the Tax-Exempt Bonds or any other funds of the Agency or take or omit to take any action that would cause the Tax-Exempt Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the Agency, with respect to the proceeds of the Tax-Exempt Bonds and such other funds, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect; provided, that if the Agency shall obtain an Opinion of Counsel from a nationally recognized bond counsel to the effect that any action required under the Resolution is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Tax-Exempt Bonds pursuant to Section 103 of the Code, the Agency may rely conclusively on such Opinion of Counsel in complying with the provisions of the Resolution; and provided further, that in the event that at any time the Agency is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any money held by the Treasurer under the Resolution or otherwise the Agency shall so instruct the Treasurer in writing, and the Treasurer shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Agency will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Tax-Exempt Bonds, and to that end, there is established by the Resolution a fund to be known as the "Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds Rebate Fund" to be held in trust and administered by the Treasurer. The Agency will comply with the provisions of the Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided in the Resolution and in the Tax Certificate and no other person shall have claim to such money except as provided in the Tax Certificate.

Payment of Claims

The Agency will pay and discharge any and all lawful claims which, if unpaid, might become payable from the Consolidated Capital Assessments or any part thereof or upon any funds in the hands of the Agency or the Treasurer allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

Accounting Records; Financial Statements and Other Reports, Continuing Disclosure

The Agency will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Consolidated Capital Assessments and of the proceeds of the Bonds, which accounting records shall at all times during business hours with reasonable prior notice be subject to the inspection of any Holder (or his representative authorized in writing) and of any investment banker, security dealer or other person interested in the Bonds.

The Agency will prepare annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2007) financial statements of the Agency for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon stating that nothing caused him to believe that the Agency was not in compliance with any of the agreements or covenants contained in the Resolution. The Agency will furnish a copy of such financial statements and Accountant's Report without charge to any Holder (or his representative authorized in writing) and to any investment banker, security dealer or other person interested in the Bonds requesting copies thereof.

The Agency will prepare annually not more than one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2008) a summary report showing in reasonable detail the proceeds of the Consolidated Capital Assessments levied and collected for such Fiscal Year and containing a general statement of the physical condition of the Facilities. The Agency will furnish a copy of such summary report without charge to any Holder (or his representative authorized in writing) and to any investment banker, security dealer or other person interested in the Bonds requesting a copy thereof.

The Agency will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the Agency and dated the date of issuance and delivery of the initial Series of Bonds under the Resolution, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision of the Resolution, failure of the Agency to comply with such Continuing Disclosure Certificate shall not be considered an event of default thereunder; provided, that any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under such Continuing Disclosure Certificate.

Protection of Security and Rights of Holders

The Agency will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

Payment of Governmental Charges and Compliance with Governmental Regulations

The Agency will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Facilities or any part thereof promptly as and when the same shall become due and payable, except that the Agency shall not be required to pay any such governmental charges so long as the application or validity thereof shall be contested in good faith and the Agency shall have set aside reserves to cover such charges. The Agency will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Facilities or any part thereof, except that the Agency shall not be required to comply with any such regulations or requirements so long as the application or validity thereof shall be contested in good faith.

Levy and Collection of Consolidated Capital Assessments

The Agency, so long as any Bonds are Outstanding, will annually levy in each Fiscal Year, through Fiscal Year 2036-2037, the Consolidated Capital Assessments against all Assessable Land in the Assessment District at not to exceed the maximum rates specified in the Engineer's Report, using the method for apportioning such assessments provided in the Engineer's Report, and make provision for the collection of such Consolidated Capital Assessments in amounts which the Agency estimates will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield Consolidated Capital Assessments Available for Debt Service equal to at least one hundred ten percent (110%) of Annual Debt Service for such Fiscal Year; provided, that failure to provide sufficient money for the foregoing purposes in any Fiscal Year shall not constitute a default under the Resolution so long as the Consolidated Capital Assessments in such Fiscal Year are levied at the maximum rates specified in the Engineer's Report, using the method for apportioning such assessments provided in the Engineer's Report. The Consolidated Capital Assessments shall be collected in the same manner as ordinary property taxes are collected in the County of Sacramento and, except as otherwise provided in the Resolution and in the Act, shall be subject to the same penalties and the same procedure and sale in case of delinquency as is provided for ad valorem taxes collected in the County of Sacramento.

Foreclosure of Consolidated Capital Assessment Liens

The Agency will annually on or before September 1 of each year review the public records of the County of Sacramento and the County of Sutter relating to the collection of the Consolidated Capital Assessments in order to determine the amount of the Consolidated Capital Assessments collected in the prior Fiscal Year in respect of Privately Owned Assessable Land, and if Privately Owned Assessable Land owned by any single property owner in the Assessment District is delinquent by more than ten thousand dollars ($10,000) with respect to the Consolidated Capital Assessments due and payable by such property owner by such delinquency date, then the Agency will by December 31 institute, and then prosecute and pursue foreclosure proceedings as authorized by the Act in order to enforce the lien of such delinquent installments. Furthermore, if the Agency determines on the basis of such review that the total amount so collected is less than ninety-five percent (95%) of the total amount of the Consolidated Capital Assessments levied in such Fiscal Year, it will promptly commence collection proceedings to collect all such delinquent installments of the Consolidated Capital Assessments as follows:

A. With respect to any such delinquent installments in excess of five hundred dollars ($500) not collected by the next succeeding December 1, it will promptly institute foreclosure proceedings as authorized by the Act in order to enforce the lien of such delinquent installments in excess of five hundred dollars ($500) against each separate lot or parcel of land in the Assessment District and will diligently prosecute and pursue such foreclosure proceedings.

B. With respect to each delinquent assessment of less than five hundred dollars ($500) but more than two hundred dollars ($200) not collected by the next succeeding July 1, it will promptly institute and diligently pursue foreclosure proceedings in order to enforce the lien of the delinquent assessment.

C. All delinquent assessments of two hundred dollars ($200) or less will be collected with and in the same manner as delinquent general taxes on real property of the County of Sacramento.

Enforcement of Consolidated Capital Assessment Liens on Governmentally-Owned Assessable Land

The Agency will annually on or before September 1 of each year review its own records and the public records of the County of Sacramento and of the County of Sutter relating to the collection of the Consolidated Capital Assessments in order to determine the amount of the Consolidated Capital Assessments collected in the prior Fiscal Year in respect of Governmentally-Owned Assessable Land, and if property owned by any single governmental entity (whether local, state or federal) in the Assessment District is delinquent by more than ten thousand dollars ($10,000) with respect to the Consolidated Capital Assessments due and payable by such governmental entity by that date, then the Agency will by December 31, unless prohibited by an order of a court of competent jurisdiction (or unless the Agency, after consultation with counsel, determines, in good faith, in any particular instance, that it lacks the legal power to enforce the delinquent assessment), institute and then prosecute and pursue judicial proceedings to seek enforcement and collection of such delinquent Consolidated Capital Assessments.

Further Assurances

The Agency will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Resolution and for the better assuring and confirming unto the Holders of the rights and benefits provided therein.

Amendment or Supplement With the Consent of Holders

The Resolution and the rights and obligations of the Agency and of the Holders may be amended or supplemented at any time by a Supplemental Resolution, which shall become binding when the written consents of the Holders of sixty percent (60%) or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Resolution, are filed with the Agency. No such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Agency to pay the interest on or the principal of or the Sinking Fund Account Payments for or the redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided in the Resolution without the express written consent of the Holder of such Bond, or (2) permit the issuance by the Agency of any obligations payable from the proceeds of the Consolidated Capital Assessments other than as provided in the Resolution, or jeopardize the ability of the Agency to levy and collect the Consolidated Capital Assessments, or (3) reduce the percentage of Bonds required for the written consent to any amendment of the Resolution or supplement thereto, or (4) modify any rights or obligations of the Treasurer under the Resolution without such officer's prior written assent thereto.

Amendment or Supplement Without the Consent of Holders

The Resolution and the rights and obligations of the Agency and of the Holders may be amended or supplemented at any time by a Supplemental Resolution, which shall become binding upon adoption without the prior written consent of any Holders, but only for any one or more of the following purposes and after receiving an approving Opinion of Counsel that such Supplemental Resolution is authorized under the Resolution, namely --

(a) To add to the agreements and covenants required in the Resolution to be performed by the Agency other agreements and covenants thereafter to be performed by the Agency which shall not (in the opinion of the Agency evidenced by a Certificate of the Agency) adversely affect the interests of the Holders, or to surrender any right or power reserved therein to or conferred therein upon the Agency which shall not (in the opinion of the Agency evidenced by a Certificate of the Agency) adversely affect the interests of the Holders;

(b) To make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained in the Resolution or in regard to questions arising thereunder which the Agency may deem desirable or necessary and not inconsistent therewith and which shall not (in the opinion of the Agency evidenced by a Certificate of the Agency) adversely affect the interests of the Holders;

(c) To authorize the issuance of a Series of Bonds other than the Series 2007 Bonds and to provide the conditions and terms under which such Series of Bonds may be issued, subject to the conditions and terms and upon compliance with the procedure set forth in the Resolution;

(d) To authorize the issuance under and subject to the Act of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued, subject to the conditions and terms and upon compliance with the procedure set forth in the Resolution;

(e) To make such additions, deletions or modifications as may be necessary or appropriate to insure the exclusion from gross income for purposes of federal income taxation under the Code of the interest on the Bonds or the exemption of such interest from State of California personal income taxes; or

(f) To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating on the Bonds.

Amendment or Supplement by Mutual Consent

The provisions of the Resolution shall not prevent any Holder from accepting any amendment thereof or supplement thereto as to any particular Bonds held by such Holder; provided, that due notation thereof is made on such Bonds.

Remedies of Holders

Any Holder shall have the right for the equal benefit and protection of all Holders similarly situated --

(a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the Board or the Agency or any members of the Board or officers or employees of the Agency, and to compel the Board or the Agency or any such members of the Board or officers or employees of the Agency to perform and carry out their duties under the Act and the agreements and covenants with the Holders contained in the Resolution;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(c) by suit in equity upon the nonpayment of the Bonds to require the Board or the Agency or its officers and employees to account as the trustee of an express trust.

Non-waiver

Nothing in the Resolution or in any other provision therein or in the Bonds shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon redemption prior to maturity as provided in the Resolution from the proceeds of the Consolidated Capital Assessments as provided therein, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied therein and in the Bonds.

A waiver of any default or breach of duty or contract by any Holder shall not affect any subsequent default or breach of duty or contract and shall not impair any rights or remedies on any such subsequent default or breach of duty or contract, and no delay or omission by any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right and remedy conferred upon the Holders by the Act or the Resolution may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to any Holder, the Agency and such Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Holders by the Resolution is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given thereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Discharge of the Bonds

(a) If the Agency shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Resolution, then all agreements, covenants and other obligations of the Agency to the Holders of such Bonds under the Resolution shall thereupon cease, terminate and become void and be discharged and satisfied, and in such event the Treasurer shall execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Treasurer shall pay over or deliver to the Agency for deposit in the Consolidated Capital Assessment Fund all money or securities held by such officer pursuant to the Resolution which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section of the Resolution if there shall be on deposit with an escrow agent or the Treasurer money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) described above if:

(1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Agency shall have agreed to mail a notice of redemption pursuant to the Resolution to the respective Holders of all such Outstanding Bonds and to such securities depositories or securities information services selected by it pursuant to the Resolution;

(2) there shall have been deposited with an escrow agent or the Treasurer either money in an amount which shall be sufficient or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or municipal obligations which have been defeased with Federal Securities and which are rated in the highest rating category by each of the Rating Agencies, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Treasurer at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report (or report of an independent professional acceptable to each of the Rating Agencies) on file with the Agency and the Treasurer; and

(3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Agency shall have agreed to mail pursuant to the Resolution a notice to the Holders of such Bonds and to such securities depositories and securities information services selected by it pursuant to the Resolution that the deposit required by clause (2) above has been made with such escrow agent or the Treasurer and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity dates or redemption dates, as the case may be, upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Unclaimed Money

Any money held by the Treasurer in trust for the payment and discharge of any of the Bonds or any interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Treasurer on such date, or for two (2) years after the date of deposit of such money if deposited with the Treasurer after the date when such Bonds or interest thereon became due and payable, shall be deposited by the Treasurer in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund as the absolute property of the Agency free from trust for use in accordance with the Act, and the Treasurer shall thereupon be released and discharged with respect thereto and the Holders shall look only to the Agency for the payment from the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund of such Bonds or interest thereon; provided, that before the Treasurer shall be required to make any such repayment the Agency shall mail a notice to the Holders of all Outstanding Bonds and to such securities depositories and securities information services selected by it that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Agency for deposit in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund.

Liability of Agency Limited to Proceeds of the Consolidated Capital Assessments

The Agency shall not be required to advance any money derived from any source of income other than the proceeds of the Consolidated Capital Assessments as provided therein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

The interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Consolidated Capital Assessments, and the Agency is not obligated to pay them except from the proceeds of the Consolidated Capital Assessments. The General Fund of the Agency is not liable and the full faith and credit of the Agency is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and (except as provided in the Resolution) no tax or assessment other than the Consolidated Capital Assessments shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the Agency or any of its income or receipts except the proceeds of the Consolidated Capital Assessments, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the Agency. The Bonds do not constitute an indebtedness of the Agency within the meaning of any constitutional or statutory debt limitation or restriction, and neither the Board nor the Agency nor any officer or employee of the Agency shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds otherwise than from the proceeds of the Consolidated Capital Assessments as provided in the Resolution.

Benefits of the Resolution Limited to Certain Parties

Nothing contained in the Resolution, express or implied, is intended to give to any person other than the Agency, the Treasurer and the Holders any right, remedy or claim under or by reason thereof, and any agreement or covenant required therein to be performed by or on behalf of the Agency or the Board or any officer or employee of the Agency shall be for the sole and exclusive benefit of the Treasurer and the Holders.

Deposit and Investment of Money in Accounts and Funds

All money held by the Treasurer in any accounts and funds established by the Resolution shall be deposited in time or demand deposits in any state or nationally chartered bank or trust company, or a state or federal savings and loan association, and shall be secured at all times by such obligations as are required by law and to the fullest extent required by law; provided, that any such money may be invested by the Treasurer in Permitted Investments that mature not later than the date on which it is estimated that such money will be required to be paid out under the Resolution, except that investments of any money in the Reserve Account shall have maturities not greater than five (5) years after their purchase. Unless otherwise provided in a Supplemental Resolution, all interest received on any money on deposit in the Acquisition and Construction Fund shall be retained in such fund and all interest received on any money on deposit in the Consolidated Capital Assessment District Capital Outlay, Operations and Maintenance Fund shall be retained in such fund. Unless otherwise provided in a Supplemental Resolution, all interest received on any money on deposit in any other fund or account established under the Resolution which exceeds the requirements of the fund or account shall (subject to the requirements of the Resolution) be deposited in the Consolidated Capital Assessment Fund, and all losses on any such money so deposited or invested shall be borne by the account or fund from which the deposit or investment was made.

Insurer Deemed Holder

For all purposes of the Resolution, a bond insurer shall be deemed to be the sole Holder of the Bonds of any Series it insures for so long as it has not failed to comply with its payment obligations under the bond insurance policy related to such Series of Bonds.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Sacramento Area Flood Control Agency (the "Agency") in connection with the issuance of $82,990,000 aggregate principal amount of the Agency's Consolidated Capital Assessment District Bonds Series 2007A (the "Series 2007A Bonds') and $4,140,000 Consolidated Capital Assessment District Bonds Taxable Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Series 2007 Bonds") which Series 2007 Bonds are being issued pursuant to the Agency's Resolution No. 07-052 (the "Resolution") adopted by the Agency's Board of Directors (the "Bonds") on May 31, 2007. The Series 2007 Bonds are secured by special capital assessments (the "Consolidated Capital Assessments") levied by the Agency on property in the Agency's Consolidated Capital Assessment District and in connection therewith the Agency covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the Agency for the benefit of the Holders (as defined in the Resolution) and Beneficial Owners (as defined herein) of the Series 2007 Bonds and in order to assist the Underwriters (hereinafter defined) in complying with Securities and Exchange Commission (the "SEC") Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Insurer" shall mean Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company.

"Listed Event" shall mean any of the events listed in Section 5(a) of the Disclosure Certificate.

"National Repository" shall mean, at any time, a then-existing Nationally Recognized Municipal Securities Information Repository as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule (hereinafter defined). The National Repositories are identified on the Securities and Exchange Commission website at http://www.sec.gov/info/municipal/nrmsir.htm.

"Underwriters" shall mean Banc of America Securities LLC, Bear, Stearns & Co. Inc. and UBS.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Agency shall, not later than 210 days after the end of the Agency's Fiscal Year presently June 30, commencing with the report for the 2006-07 Fiscal Year, provide to each Repository and to the Insurer an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of the Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Sections 5 and 6.

(b) If the Agency is unable to provide to the Repositories and to the Insurer an Annual Report by the date required in subsection (a), the Agency shall send to the Municipal Securities Rulemaking Board, to each Repository and to the Insurer a notice in substantially the form attached hereto as Exhibit A.

(c) The Agency shall determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any.

SECTION 4. Content of Annual Reports. The Agency's Annual Report shall contain the CUSIP numbers of the Series 2007 Bonds and include by reference the following:

(a) The audited financial statements of the Agency for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; *provided*, that if the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An annual report updating of the following tables contained in the Official Statement for the Series 2007 Bonds, dated June 13, 2007:

Table 3 - Delinquency Data for the Consolidated Capital Assessment District (for the most recently completed Fiscal Year)
Table 5 - Projected Debt Service Coverage (for the most recently completed Fiscal Year; projections need not be updated)

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the SEC; *provided, that* if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and *provided further*, that the Agency shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this section, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2007 Bonds, if material:

1. Principal or interest payment delinquencies.

2. Non-payment related defaults.

3. Modifications to the rights of the Holders.

4. Optional, contingent or unscheduled calls.

5. Defeasances.

6. Rating changes.

7. Adverse tax opinions or events adversely affecting the tax-exempt status of the Series 2007 Bonds.

8. Unscheduled draws on the debt service reserves reflecting financial difficulties.

9. Unscheduled draws on the credit enhancements reflecting financial difficulties.

10. Substitution of the credit or liquidity providers or their failure to perform.

11. Release, substitution or sale of property securing repayment of the Series 2007 Bonds.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if knowledge of such event would be material under applicable federal securities laws.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Agency shall promptly file or cause the filing of a notice of such occurrence with the Municipal Securities Rulemaking Board, each Repository and to the Insurer; *provided*, that notice of Listed Events described in subsections (a)(4) and (5) of this section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

(d) Each notice of Listed Event relating to the Series 2007 Bonds shall include the CUSIP numbers of the Series 2007 Bonds to which such Listed Event notice relates or, if the Listed

Event notice relates to all bond issues of the Agency including the Series 2007 Bonds, such Listed Event notice need only include the CUSIP number of the Agency.

SECTION 6. Filing with Certain Dissemination Agents. The Agency may satisfy its obligations hereunder to file any notice, document or information with a National Repository or State Repository by filing the same with any agent which is responsible for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the Securities and Exchange Commission or Securities and Exchange Commission staff (a "Central Post Office"). For this purpose, permission shall be deemed to have been granted by the Securities and Exchange Commission staff if and to the extent the Central Post Office has received an interpretive letter, which has not been revoked, from the Securities and Exchange Commission staff to the effect that using the Central Post Office to transmit information to the National Repositories and the State Repositories will be treated for purposes of the Rule as if such information were transmitted directly to the National Repositories and the State Repositories.

SECTION 7. Termination of Reporting Obligation. The Agency's obligations under the Disclosure Certificate shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Series 2007 Bonds, or (b) if, in the opinion of nationally recognized bond counsel, the Agency ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Series 2007 Bonds or the Series 2007 Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the Series 2007 Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Sections 5 and 6.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the Agency may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived; *provided*, that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2007 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2007 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2007 Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2007 Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Sections 5 and 6, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the Agency shall have no obligation under the Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Agency to comply with any provision of the Disclosure Certificate, the Underwriters or any Holder or Beneficial Owner of the Series 2007 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the Agency to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 11. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Agency, the Underwriters and the Holders and Beneficial Owners from time to time of the Series 2007 Bonds, and shall create no rights in any other person or entity.

Dated: June 26, 2007.

SACRAMENTO AREA FLOOD CONTROL AGENCY

By:____
Executive Director

EXHIBIT A TO CONTINUING DISCLOSURE CERTIFICATE

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Agency:	Sacramento Area Flood Control Agency
Name of Issue:	$82,990,000 Consolidated Capital Assessment District Bonds Series 2007A (the "Series 2007A Bonds") and $4,140,000 Consolidated Capital Assessment District Bonds Series 2007B (Taxable) (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Series 2007 Bonds")
Date of Issuance:	June 26, 2007

NOTICE IS HEREBY GIVEN that the Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the Agency dated June 26, 2007 [The Agency anticipates that the Annual Report will be filed by ____________.]

Dated: ________________

SACRAMENTO AREA FLOOD CONTROL AGENCY

By____
Executive Director

APPENDIX F

FORM OF BOND COUNSEL OPINION

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APPENDIX F

FORM OF BOND COUNSEL OPINION

June 26, 2007

Sacramento Area Flood Control Agency
Sacramento, California

Sacramento Area Flood Control Agency
Consolidated Capital Assessment District Bonds, Series 2007A and Taxable Series 2007B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Sacramento Area Flood Control Agency (the "Agency") in connection with the issuance of $82,990,000 aggregate principal amount of Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds, Series 2007A (the "Series 2007A Bonds"), and $4,140,000 aggregate principal amount of Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds, Taxable Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Bonds") pursuant to the provisions of the Sacramento Area Flood Control Agency Act (being Chapter 130 of West's Ann. Cal. Water Code App.) (the "Act"), and Resolution No. 07-052 adopted by the Board of Directors of the Agency (the "Board") on May 31, 2007 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Resolution.

In such connection, we have reviewed the Resolution; the Tax Certificate of the Agency, dated the date hereof (the "Tax Certificate"); opinions of counsel to the Agency; certificates of the Agency and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2007A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. We express no opinion on the plans, specifications, maps and other engineering details of the proceedings, or upon the validity of the annual special capital assessments on any particular parcel which validity depends, in addition to the legal steps required, upon the accuracy of certain of the engineering details. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are valid and binding bonds of the Agency payable from the proceeds of the Consolidated Capital Assessments as provided in the Resolution.

2. The Resolution has been duly adopted by the Board and constitutes the valid and binding obligation of the Agency.

3. Interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 (the "Code"). Interest on the Series 2007A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest on the Series 2007A Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We observe that interest on the Series 2007B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX G

FORM OF BOND INSURANCE POLICY

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FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Municipal Bond
New Issue Insurance Policy

Issuer:		**Policy Number:**	
		Control Number:	0010001
Bonds:		**Premium:**	

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Municipal Bond
New Issue Insurance Policy

principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number:	Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Mandatory California State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number:	**Control Number:** 0010001

The insurance provided by this Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Mandatory California State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number:	**Control Number:** 0010001

SPECIMEN

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

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