NEW ISSUE—BOOK-ENTRY ONLY **RATINGS:**
See "RATINGS" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009 Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2009 Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding whether interest on the Series 2009 Notes is included in adjusted current earnings when calculating corporate alternative minimum taxable income, nor does Bond Counsel express any opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009 Notes. See "TAX MATTERS" herein.

$200,000,000
CONTRA COSTA TRANSPORTATION AUTHORITY
SALES TAX REVENUE NOTES
(LIMITED TAX BONDS), SERIES 2009

Dated: Date of Delivery **Due: October 1, 2010**

The Contra Costa Transportation Authority (the "Authority") is offering the series of notes identified above (the "Series 2009 Notes"), which will be issued pursuant to an Indenture (as defined herein), between the Authority and Deutsche Bank National Trust Company, as trustee (the "Trustee"). Proceeds from the sale of the Series 2009 Notes will be applied by the Authority: (i) to finance and refinance a portion of the costs associated with certain transportation projects; (ii) to pay or reimburse the Authority for payment of certain interest rate swap termination costs; and (iii) to pay costs of issuance of the Series 2009 Notes, all as more particularly described herein. See "PLAN OF FINANCING" herein.

The Series 2009 Notes are issuable in fully registered 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"). Beneficial owners of the Series 2009 Notes will not receive physical certificates representing the Series 2009 Notes purchased but will receive a credit balance on the books of the nominees of such purchasers. So long as Cede & Co. is the registered owner of the Series 2009 Notes, principal of and interest on the Series 2009 Notes will be paid by the Trustee to DTC, which, in turn, will remit such payments to its participants for subsequent disbursement to the beneficial owners of the Series 2009 Notes, as described herein.

The Series 2009 Notes will be issued in denominations of $5,000 principal amount or any integral multiple thereof and will bear interest and mature as set forth below. Interest on the Series 2009 Notes will be paid on April 1, 2010 and at maturity on October 1, 2010.[*]

The Series 2009 Notes are not subject to redemption prior to maturity.

MATURITY SCHEDULE[*]

Maturity	Principal Amount	Interest Rate	Price	Yield	CUSIP No.†
October 1, 2010	$200,000,000	2.500%	102.036	0.500%	21221MCS7

THE SERIES 2009 NOTES ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM AND SECURED BY A PLEDGE OF SALES TAX REVENUES DERIVED FROM A 0.5% SALES TAX LEVIED BY THE AUTHORITY, AS DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF CONTRA COSTA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 2009 NOTES, OTHER THAN THE SALES TAX LEVIED BY THE AUTHORITY.

SALES TAX REVENUES WILL NOT BE SUFFICIENT TO PAY THE PRINCIPAL OF THE SERIES 2009 NOTES AT MATURITY. THE AUTHORITY EXPECTS TO ISSUE, AND HAS COVENANTED TO USE ITS BEST EFFORTS TO ISSUE, BONDS TO RETIRE THE NOTES (THE "TAKE-OUT BONDS") AS MORE FULLY DESCRIBED HEREIN. HOWEVER, THERE CAN BE NO ASSURANCE THAT THE TAKE-OUT BONDS WILL BE ISSUED ON OR PRIOR TO THE MATURITY DATE OF THE SERIES 2009 NOTES OR THEREAFTER. SEE "RISK FACTORS—Access to Capital Markets" herein.

This cover page contains general information only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2009 Notes are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, Nossaman LLP, and for the Underwriters by their counsel, Squire, Sanders and Dempsey L.L.P. It is expected that the Series 2009 Notes will be available for delivery on or about September 23, 2009.

Merrill Lynch & Co. Barclays Capital

Dated: September 18, 2009

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[*] The maturity date, interest payment dates, principal amount, interest rate, price and yield on the Series 2009 Notes were determined on September 16, 2009, and the Note Purchase Agreement among the Authority and the Underwriters relating to the purchase of the Series 2009 Notes for reoffering to the public by the Underwriters was executed and delivered on September 16, 2009. This Official Statement includes information relating to the restructuring of a forward starting interest rate swap agreement that occurred on September 18, 2009.

CONTRA COSTA TRANSPORTATION AUTHORITY

COMMISSIONERS

Maria T. Viramontes, Chair	Council Member, City of Richmond
Robert Taylor, Vice Chair	Mayor, City of Brentwood
Janet Abelson	Mayor Pro Tem, City of El Cerrito
Newell Arnerich	Mayor, Town of Danville
Ed Balico	Council Member, City of Hercules
Susan Bonilla	Supervisor, Board of Supervisors, County of Contra Costa
David Durant	Council Member, City of Pleasant Hill
Federal Glover	Supervisor, Board of Supervisors, County of Contra Costa
Michael Kee	Council Member, City of Pittsburg
Mike Metcalf	Council Member, Town of Moraga
Julie Pierce	Mayor, City of Clayton

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Executive Director
Robert K. McCleary

Chief Financial Officer
Randall O. Carlton

Chief Deputy Executive Director, Projects
Paul F. Maxwell

Deputy Executive Director, Planning
Martin R. Engelmann

Director, Government & Community Relations
Arielle E. L. Bourgart

SPECIAL SERVICES

Financial Advisor
Public Financial Management, Inc.
San Francisco, California

Bond Counsel
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Authority Counsel
Nossaman LLP
San Francisco, California

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 2009 Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the Authority, the Underwriters and other sources that are believed by the Authority to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, 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.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2009 Notes.

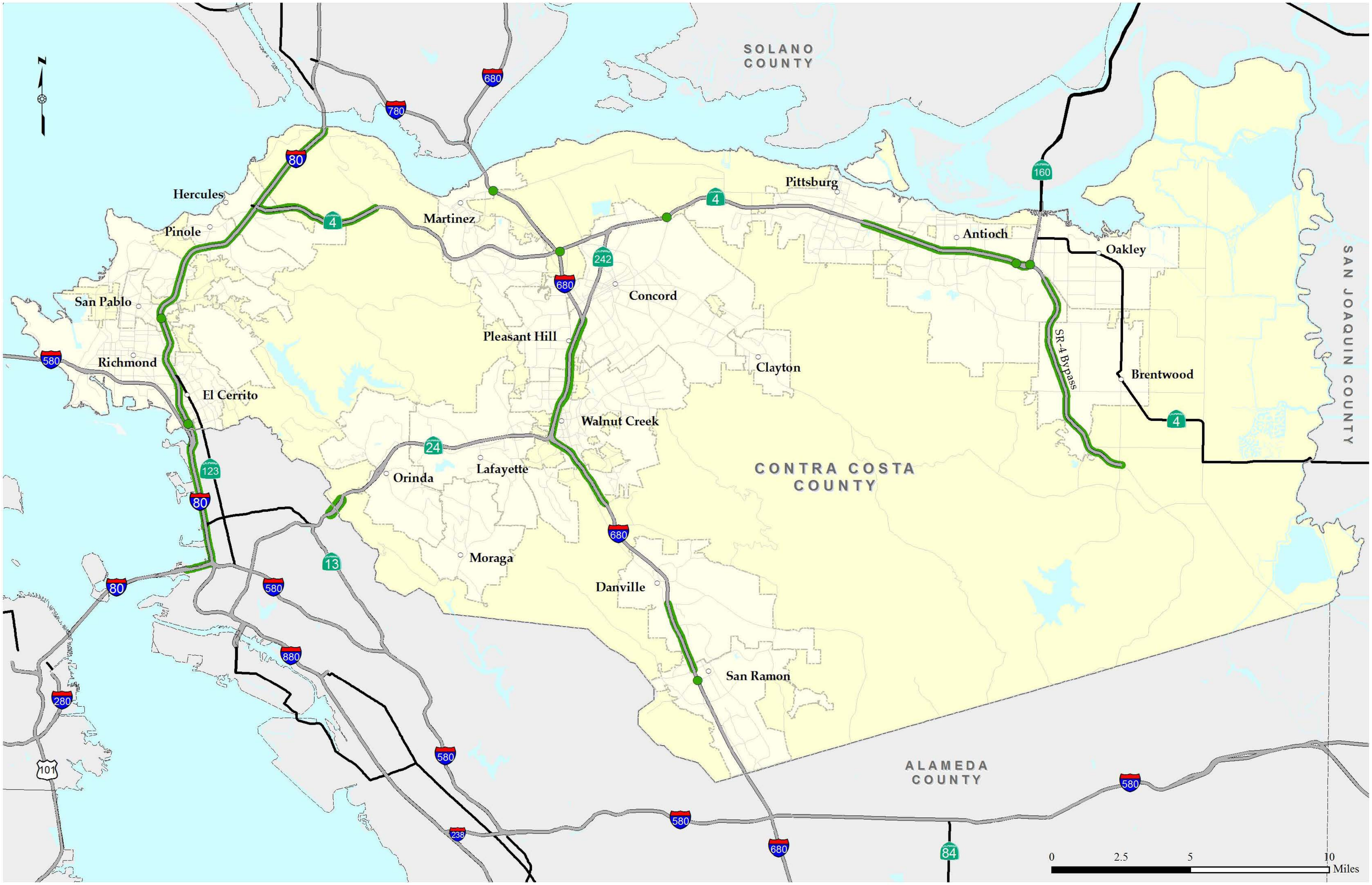
This Official Statement speaks only as of its date. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made in conjunction herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof. This Official Statement is submitted with respect to the sale of the Series 2009 Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. Preparation of this Official Statement and its distribution have been duly authorized and approved by the Authority.

All descriptions and summaries of documents and statutes hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and statute.

In connection with the offering of the Series 2009 Notes, the Underwriters may over-allot or effect transactions that stabilize or maintain the market prices of the Series 2009 Notes at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2009 Notes to certain dealers, institutional investors and others at prices lower than the public offering prices stated on cover page and such public offering prices may be changed from time to time by the Underwriters.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expectations," "estimate," "project," "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 expectations of the Authority in any way, regardless of the level of optimism communicated in the information. The Authority is not obligated to issue nor does it plan to issue any updates or revisions to the forward-looking statements.



SOLANO COUNTY
SAN JOAQUIN COUNTY
CONTRA COSTA COUNTY
ALAMEDA COUNTY
Hercules
Pinole
San Pablo
Richmond
El Cerrito
Martinez
Pittsburg
Antioch
Oakley
Concord
Pleasant Hill
Clayton
Brentwood
Walnut Creek
Lafayette
Orinda
Moraga
Danville
San Ramon
SR-4 Bypass
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OFFICIAL STATEMENT

$200,000,000
CONTRA COSTA TRANSPORTATION AUTHORITY
SALES TAX REVENUE NOTES
(LIMITED TAX BONDS), SERIES 2009

INTRODUCTION

The following introduction is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," or if not defined therein, in the Indenture. The maturity date, interest payment dates, principal amount, interest rate, price and yield on the Series 2009 Notes, all as set forth on the cover page here to, were determined on September 16, 2009, and the Note Purchase Agreement among the Authority and the Underwriters relating to the purchase of the Series 2009 Notes for reoffering by the Underwriters to the public was executed and delivered on September 16, 2009. On September 18, 2009, the Authority completed restructuring of a forward starting interest rate swap agreement entered into in 2005 that was referenced in the Preliminary Official Statement dated September 8, 2009. Information concerning the restructuring is included in this Official Statement under the caption "PLAN OF FINANCING—The 2005 Swap and the Amended Swap.

General

This Official Statement, including the cover page and all appendices hereto, provides certain information concerning the issuance and sale by the Contra Costa Transportation Authority (the "Authority") of $200,000,000 aggregate principal amount of Contra Costa Transportation Authority Sales Tax Revenue Notes (Limited Tax Bonds), Series 2009 (the "Series 2009 Notes"). The Series 2009 Notes are being issued pursuant to the Indenture, dated as of September 1, 2009 (the "Master Indenture"), between the Authority and Deutsche Bank National Trust Company, as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture, dated as of September 1, 2009 (the "First Supplemental Indenture"), between the Authority and the Trustee. The Master Indenture, as so supplemented and as further supplemented from time to time pursuant to its terms is hereinafter referred to as the "Indenture."

The Series 2009 Notes will mature on October 1, 2010 (the "Maturity Date") and will bear interest at the rates set forth on the cover page hereto. Interest on the Series 2009 Notes will be payable on April 1, 2010 and at maturity on the Maturity Date.* See "THE SERIES 2009 NOTES" herein.

The Authority

The Authority is a local transportation authority organized under the provisions of the Local Transportation Authority and Improvement Act, constituting Division 19 of the Public Utilities Code of the State of California, commencing with Section 180000 (hereinafter collectively referred to as the "Act"). The Authority was created on February 8, 1988 by action of the Board of Supervisors of Contra Costa County. See "THE AUTHORITY" herein.

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* The maturity date, interest payment dates, principal amount, interest rate, price and yield on the Series 2009 Notes, all as set forth on the cover page here to, were determined on September 16, 2009, and the Note Purchase Agreement among the Authority and the Underwriters relating to the purchase of the Series 2009 Notes for reoffering by the Underwriters to the public was executed and delivered on September 16, 2009.

Authorization

The Series 2009 Notes are being issued pursuant to the authority granted under the Act and Ordinance 88-01, as amended and supplemented from time to time pursuant to its terms, including as amended and supplemented by Ordinance 04-02, which, by its terms, became effective at the close of the polls in the County of Contra Costa on November 2, 2004, the date of the general election at which a ballot measure ("Measure J") authorizing the extension of an existing retail transactions and use tax through March 31, 2034 was approved by more than two-thirds of the voters voting on Measure J, as amended and restated by Ordinance 06-01. Ordinance 08-01 as so amended, supplemented and restated and as it may be further amended and supplemented pursuant to its terms is hereinafter referred to as the "Ordinance."

Sales Tax; Pledge of Revenues

The Series 2009 Notes are limited obligations of the Authority payable solely from and secured solely by a pledge of certain revenues defined in the Indenture (the "Revenues") and certain funds held by the Trustee under the Indenture, including a pledge of amounts collected (the "Sales Tax Revenues") from a one-half of one percent (0.5%) retail transactions and use tax levied by the Authority for transportation purposes in the incorporated and unincorporated territory of the County (as hereinafter described, the "Sales Tax"), net of an administrative fee paid to the California State Board of Equalization (the "Board of Equalization") in connection with the collection and disbursement of the Sales Tax. The Sales Tax will expire on March 31, 2034. See "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2009 NOTES" and "THE SALES TAX" herein.

Plan of Financing

Proceeds of the Series 2009 Notes will be applied (i) to finance and refinance a portion of the costs associated with certain transportation projects authorized in the Expenditure Plan (as modified from time to time, the "Expenditure Plan"), which was authorized by the Ordinance; (ii) to pay or reimburse the Authority for payment of certain interest rate swap termination costs; and (iii) to pay costs of issuance of the Series 2009 Notes. See "PLAN OF FINANCING" herein.

The Authority entered into a forward starting interest rate swap agreement (the "2005 Swap") with Bank of America, N.A ("BANA") and Merrill Lynch Capital Services, Inc. ("MLCS"). On September 18, 2009, the Authority restructured the 2005 Swap. See "PLAN OF FINANCING—The 2005 Swap and The Amended Swap" herein for additional information regarding the how the 2005 Swap was restructured (as more fully described herein, the "Amended Swap") and how the Amended Swap will be secured under the Indenture.

The Series 2009 Notes will mature on the Maturity Date. Pursuant to the Indenture, the Authority has covenanted to use its best efforts to issue a Series of Bonds (the "Take-Out Bonds") on or prior to the Maturity Date at interest rates not to exceed the Maximum Rate, subject to the terms of the Indenture, to provide funds in an amount that will be sufficient to pay, together with other lawfully available funds, the principal of and accrued interest due on the Series 2009 Notes on such date. The Authority has authorized the issuance of the Take-Out Bonds, and the issuance of the Take-Out Bonds is not subject to satisfaction of any tests set forth in the Indenture relating to the issuance or incurrence of additional indebtedness. See "PLAN OF FINANCING—Covenant to Issue Take-Out Bonds" herein. The amortization of the Take-Out Bonds is expected to match the amortization of the notional amount of the Amended Swap. See "PLAN OF FINANCING—The 2005 Swap and The Amended Swap" herein.

There can be no assurance that the Authority will be able to issue the Take-Out Bonds on or prior to the Maturity Date or thereafter. The Authority will not have sufficient Sales Tax Revenues

to pay the principal of the Series 2009 Notes on the Maturity Date. See "RISK FACTORS—Access to Capital Markets" herein.

Limitations on Additional Debt So Long as Series 2009 Notes Are Outstanding

Pursuant to the Indenture, the Authority has covenanted and agreed that subsequent to the issuance of the Series 2009 Notes, the Authority will not, so long as any Series 2009 Notes are Outstanding: (i) issue any additional Bonds other than the Take-Out Bonds; (ii) incur any additional Parity Obligations (other than Parity Obligations relating to Rebate Requirement obligations); (iii) issue or incur any additional Subordinate Obligations unless such Subordinate Obligations mature after the Maturity Date and do not require the Authority to make any payments of principal on or prior to the Maturity Date; (iv) issue or incur any additional Fee and Expense Obligations; or (v) issue or incur any additional obligations or securities, howsoever denominated, payable in whole or in part from Sales Tax Revenues unless such obligations or securities mature after the Maturity Date and do not require the Authority to make any payments of principal on or prior to the Maturity Date. See "PLAN OF FINANCING—The 2005 Swap and The Amended Swap" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 NOTES—Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations" for a discussion of the Parity Obligations and Fee and Expense Obligations of the Authority under the Indenture, certain terms of the Amended Swap and how the Amended Swap will be secured under the Indenture.

No Reserve Fund

The Series 2009 Notes will not be secured by any debt service reserve fund.

No Acceleration Provision or Increase in Interest Rate Upon Default

The Indenture does not contain a provision allowing for the acceleration of the Series 2009 Notes or an increase in the interest rate on the Series 2009 Notes in the event of a default in the payment of principal of or interest on the Series 2009 Notes when due. In the event of a default by the Authority, the Holders of at least a majority of the aggregate principal amount of the Series 2009 Notes will have the right to request the Trustee to exercise the remedies and each Holder will have certain remedies, all subject to limitations, as provided in the Indenture. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default and Remedies."

Limited Obligation of Authority

THE SERIES 2009 NOTES ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM AND SECURED BY A PLEDGE OF SALES TAX REVENUES DERIVED FROM A 0.5% SALES TAX LEVIED BY THE AUTHORITY, AS DESCRIBED IN THIS OFFICIAL STATEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF CONTRA COSTA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 2009 NOTES, OTHER THAN THE SALES TAX LEVIED BY THE AUTHORITY.

Bondholders' Risks

There are a number of risks associated with the purchase of the Series 2009 Notes. See "RISK FACTORS" herein for a discussion of certain of these risks.

Book-Entry Only

The Series 2009 Notes, when issued, will be payable solely in book-entry form through The Depository Trust Company. See APPENDIX E— "BOOK-ENTRY ONLY SYSTEM."

Continuing Disclosure

The Authority has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement relating to provision of notices of occurrence of certain events. See "CONTINUING DISCLOSURE" herein and APPENDIX G—"FORM OF CONTINUING DISCLOSURE AGREEMENT."

Availability of Documents

Copies of the Indenture are available for inspection at the Authority and, following delivery of the Series 2009 Notes, will be on file at the offices of the Trustee in San Francisco, California.

PLAN OF FINANCING

General

Proceeds of the Series 2009 Notes will be applied (i) to finance and refinance a portion of the costs associated with certain transportation projects authorized in the Expenditure Plan, as described herein under "CONTRA COSTA TRANSPORTATION IMPROVEMENT PROGRAM;" (ii) to pay or reimburse the Authority for payment of certain interest rate swap termination costs, as discussed under "—The 2005 Swap and The Amended Swap" below; and (iii) to pay the costs of issuance of the Series 2009 Notes. See "ESTIMATED SOURCES AND USES OF FUNDS."

A portion of the proceeds of the Series 2009 Notes will be used to refinance certain transportation projects originally financed with proceeds of the Contra Costa Transportation Authority Subordinate Sales Tax Revenue Tax Exempt Commercial Paper Notes (Limited Tax Bonds), Series A (the "CP Notes"), which were issued pursuant to an Indenture, dated as of August 1, 2007 (the "CP Indenture"), between the Authority and Deutsche Bank National Trust Company, as trustee, and an Issuing and Paying Agent Agreement, between the Authority and Deutsche Bank National Trust Company. The CP Notes are outstanding in the aggregate principal amount of $69,295,000. Concurrently with the issuance of the Series 2009 Notes, all the outstanding CP Notes will be retired, and the Authority will discharge and terminate the CP Indenture.

Covenant to Issue Take-Out Bonds

The Series 2009 Notes mature on the Maturity Date. **On the Maturity Date, the Authority will not have sufficient Sales Tax Revenues to pay the principal of the Series 2009 Notes.**

Pursuant to the Indenture, the Authority expects to issue the Take-Out Bonds on or prior to the Maturity Date to retire the Series 2009 Notes. Pursuant to the Indenture, the Authority has covenanted to use its best efforts to issue the Take-Out Bonds on or prior to the Maturity Date at interest rates not to exceed the Maximum Rate, subject to the terms of the Indenture, to provide funds in an amount that will be sufficient to pay, together with other lawfully available funds, the principal of and accrued interest due on the Series 2009 Notes on or prior to such date. The Authority has authorized the issuance of the Take-Out Bonds, and the issuance of the Take-Out Bonds is not subject to satisfaction of any tests set forth in the Indenture relating to the issuance or incurrence of additional indebtedness. Pursuant to the Indenture, the Authority has pledged the proceeds of the Take-Out Bonds to pay the principal of and interest on the Series 2009 Notes.

There can be no assurance that the Authority will be able to issue the Take-Out Bonds on or prior to the Maturity Date or thereafter. See "RISK FACTORS—Access to Capital Markets" herein.

Limitations on Additional Debt So Long as Series 2009 Notes Are Outstanding

Pursuant to the Indenture, subsequent to the issuance of the Series 2009 Notes, the Authority has covenanted and agreed that the Authority will not, so long as any Series 2009 Notes are Outstanding: (i) issue any additional Bonds other than the Take-Out Bonds; (ii) incur any additional Parity Obligations (other than Parity Obligations relating to Rebate Requirement obligations); (iii) issue or incur any additional Subordinate Obligations unless such Subordinate Obligations mature after the Maturity Date and do not require the Authority to make any payments of principal on or prior to the Maturity Date; (iv) issue or incur any additional Fee and Expense Obligations; or (v) issue or incur any additional obligations or securities, howsoever denominated, payable in whole or in part from Sales Tax Revenues unless such obligations or securities mature after the Maturity Date and do not require the Authority to make any payments of principal on or prior to the Maturity Date.

See "—The 2005 Swap and The Amended Swap" below for a description of certain terms of the Amended Swap. Pursuant to the Indenture, the regularly scheduled payments on the Amended Swap will constitute Parity Obligations and termination payments and other fees and expenses payable in connection therewith will constitute Fee and Expense Obligations. See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 NOTES—Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations" herein.

The 2005 Swap and The Amended Swap

In November 2005, the Authority entered into a forward starting interest rate swap transaction with BANA (the "BANA Swap") and a forward starting interest rate swap transaction with MLCS (the "MLCS Swap"), each in the notional amount of $150,000,000, in anticipation of the issuance of variable rate bonds subsequent to commencement of collection of the Sales Tax authorized by Measure J, which the Authority anticipated issuing in 2009. As a result of a number of changes in the financial markets, the Authority currently anticipates issuing variable rate demand bonds in 2010 to provide for payment of the Series 2009 Notes on the Maturity Date. See "—Covenant to Issue Take-Out Bonds" above. On September 18, 2009, the Authority restructured the 2005 Swap to result in a single forward starting interest rate swap with and BANA. In connection therewith, the MLCS Swap was transferred by novation from MLCS to BANA pursuant to the terms of the Novation Agreement, dated as of September 18, 2009 (the "Novation Agreement"), among MLCS, BANA and the Authority. The Authority and BANA have amended and restated as of September 18, 2009 (i) the International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement, dated as of November 22, 2005 (the "Master Agreement"), (ii) the U.S. Municipal Counterparty Schedule to the Master Agreement, dated as of November 22, 2005 (the "Schedule") and (iii) the ISDA Credit Support Annex to the Schedule to the Master Agreement, dated as of November 22, 2005 (the "Credit Support Annex") and (iv) the Confirmation thereto (the "Confirmation"), which collectively amends the terms of the BANA Swap and the MLCS Swap. The Master Agreement, the Schedule, the Credit Support Annex, the Novation Agreement, the Confirmation and the terms agreed upon pursuant the restructuring of the 2005 Swap are hereinafter collectively referred to as the "Amended Swap." The Authority expects that the amortization of the Take-Out Bonds will match the amortization of the notional amount of the Amended Swap.

In connection with the issuance of the Series 2009 Notes and the terms of the Amended Swap, the Authority has terminated $100,000,000 of the original 2005 Swap notional amount of $300,000,000. The reduction in the notional amount of to $200,000,000 requires the Authority to make a termination payment of $11,417,000, which was calculated based on the "mark-to-market" value of the termination of such notional amount on the date of execution of the Amended Swap. The Authority expects that a portion of the proceeds of the Series 2009 Notes will be used to pay or reimburse the Authority for the payment of such termination payment on September 23, 2009. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Under the terms of the Amended Swap, the Authority will be required to make payments to BANA based on a fixed rate of interest of 3.6574% and will receive floating payments from BANA calculated upon the sum of (i) 63.5% of the London Interbank Offered Rate and (ii) 0.29%, in each case on the notional amount of the Amended Swap of $200,000,000 amortizing to March 1, 2034. Such payments will accrue beginning on September 23, 2009 and will terminate on March 1, 2034.

The Amended Swap is subject to early termination, including, without limitation, upon the occurrence of certain customary termination events and events of default which may be outside the control of the Authority. If an early termination occurs, a payment by the Authority to BANA may be required, and the amount of any such termination payment could be substantial. Under certain circumstances, pursuant to the provisions of the Amended Swap, the Authority will be required, from time to time, to post collateral, which posting of collateral is required based upon (i) the value of the Amended Swap at the time of calculation and (ii) the credit rating of the Authority. Based on the Authority's current credit rating and pursuant to the terms of the Amended Swap, the Authority will be required to post collateral if the termination value of the Amended Swap exceeds $40,000,000.

Pursuant to the Indenture, regularly scheduled payments under the Amended Swap will constitute Parity Obligations, and fees and expenses and termination payments under the Amended Swap will constitute Fee and Expense Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 NOTES—Parity Obligations and Additional Bonds," "—Fee and Expense Obligations" and "—Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations" herein.

Future Financing Plans

After the issuance of the Take-Out Bonds, the Authority currently anticipates issuing one or more additional Series of Bonds to fund transportation projects authorized under the Expenditure Plan anticipated to total approximately $350 million. Such issuance or issuances is currently expected to occur between the years 2011 and 2015. The Authority may revise its Strategic Plan (as hereinafter defined), and its financing plans may change. See "CONTRA COSTA TRANSPORTATION IMPROVEMENT PROGRAM—Expenditure Plan and Strategic Plan" herein. See also "RISK FACTORS—Access to Capital Markets" herein.

Exclusive of the Take-Out Bonds, the principal amount of additional Bonds, Parity Obligations or other financial obligations secured by Sales Tax Revenues, and the timing of any such issuance or issuances, will be determined by the Authority based on a variety of factors including: project readiness; the costs and timing of design and construction of the transportation projects to be financed; the resources then available to the Authority; the availability of other funding sources for authorized transportation projects; and market conditions. The issuance of additional Bonds and Parity Obligations and other financial obligations secured by Sales Tax Revenues is subject to the requirements of the Indenture; provided the Indenture imposes no financial tests for issuance of the Take-Out Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2009 SERIES NOTES—Parity Obligations and Additional Bonds" herein.

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ESTIMATED SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds with respect to the Series 2009 Notes:

Sources of Funds	
Par Amount	$200,000,000.00
Original Issue Premium	4,072,000.00
Total Sources	**$204,072,000.00**
Uses of Funds	
Deposit to the Project Fund	$122,134,206.12
Retirement of CP Notes	69,295,000.00
Swap Termination Payment(1)	11,417,000.00
Costs of Issuance(2)	1,225,793.88
Total Uses of Funds	**$204,072,000.00**

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(1) The termination payment payable by the Authority in connection with the termination of $100,000,000 of notional amount of the 2005 Swap was calculated on September 18, 2009, the date of execution of the Amended Swap. See "PLAN OF FINANCING—The 2005 Swap and The Amended Swap" herein.

(2) Costs of issuance include rating agency, legal and financial advisory fees and printing costs and expenses; underwriters' discount; fees of the Trustee; and other miscellaneous expenses.

THE SERIES 2009 NOTES

General

The Series 2009 Notes will mature on the Maturity Date and bear interest at the rates set forth on the cover page hereto. The maturity date, interest payment dates, principal amount, interest rate, price and yield on the Series 2009 Notes, all as set forth on the cover page here to, were determined on and the Note Purchase Agreement among the Authority and the Underwriters relating to the purchase of the Series 2009 Notes for reoffering by the Underwriters to the public was executed and delivered on September 16, 2009. Interest on the Series 2009 Notes will be payable on April 1, 2010 and on the Maturity Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Purchases of the Series 2009 Notes will be made in book-entry only form in denominations of $5,000 and integral multiples thereof.

The Series 2009 Notes will be transferable and exchangeable as set forth in the Indenture and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2009 Notes. Ownership interests in the Series 2009 Notes may be purchased in book-entry form only, in the denominations stated above. See APPENDIX E—"BOOK-ENTRY ONLY SYSTEM."

No Redemption of Series 2009 Notes

The Series 2009 Notes are not subject to redemption prior to maturity.

Purchase of Series 2009 Notes by the Authority

The Authority reserves the right at all times to purchase any of its Series 2009 Notes on the open market, and it may surrender such Series 2009 Notes to the Trustee for cancellation.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 NOTES

Take-Out Bonds

The Series 2009 Notes will mature on the Maturity Date. **On the Maturity Date, the Authority will not have sufficient Sales Tax Revenues to pay the principal of the Series 2009 Notes.** See "PLAN OF FINANCING—Covenant to Issue Take-Out Bonds" herein, for a discussion of the plans of the Authority to retire the Series 2009 Notes on or prior to the Maturity Date with the Take-Out Bonds. Pursuant to the Indenture, the Authority has pledged the proceeds of the Take-Out Bonds to pay the Series 2009 Notes. **There can be no assurance that the Authority will be able to issue the Take-Out Bonds on or prior to the Maturity Date or thereafter. See "RISK FACTORS—Access to Capital Markets" herein.**

Pledge of Sales Tax Revenues

The Series 2009 Notes are limited obligations of the Authority and are payable as to principal and interest exclusively from Revenues, consisting of Sales Tax Revenues and Swap Revenues, and from all amounts, including proceeds of the Series 2009 Notes, held in the funds and accounts established under the Indenture (other than the Rebate Fund, any Letter of Credit Fund and any Purchase Fund), subject to application thereof as provided pursuant to the Indenture. "Sales Tax Revenues" means the amounts collected on account of the Sales Tax after deducting amounts payable by the Authority to the Board of Equalization for costs and expenses for its services in connection with the Sales Tax (the "BOE Fee"). For a discussion of the Sales Tax, see "THE SALES TAX" herein. For a discussion of the historical sales tax revenues, see "THE SALES TAX—Historical Sales Tax Revenues" herein.

Pursuant to the Indenture, as security for the payment of all amounts owing on the Series 2009 Notes, any additional Bonds (the Series 2009 Notes and any additional Bonds being hereinafter collectively referred to as "Bonds"), Parity Obligations, Subordinate Obligations and Fee and Expense Obligations, the Authority has irrevocably pledged to the Trustee (i) all Revenues; and (ii) all amounts, including proceeds of the Bonds, held on deposit in the funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Fund and any Purchase Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture provides that such collateral shall constitute a first lien on and security interest in such collateral and shall immediately attach thereto and shall be effective, binding and enforceable from and after initial delivery by the Trustee of the Series 2009 Notes, without the need for any physical delivery, recordation, filing or further act.

All Bonds and Parity Obligations (including the scheduled payments payable by the Authority under the Amended Swap) shall be of equal rank without preference, priority or distinction of any Bonds or Parity Obligations over any other Bonds or Parity Obligations. All Subordinate Obligations shall be of equal rank without preference, priority or distinction of any Subordinate Obligations over any other Subordinate Obligations. All Fee and Expense Obligations (including any termination payments and other fees and expenses required to be paid under the Amended Swap) shall be of equal rank without preference, priority or distinction of any Fee and Expense Obligations over any other Fee and Expense Obligation. The Sales Tax Revenues and all other amounts held on deposit in the Revenue Fund and the other funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Fund and any Purchase Fund) shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations as their respective interests appear under the Indenture and shall be disbursed, allocated and applied solely for the purposes set for in and in accordance with the Indenture.

THE SERIES 2009 NOTES ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM AND SECURED BY A PLEDGE OF SALES TAX REVENUES DERIVED FROM A 0.5% SALES TAX LEVIED BY THE AUTHORITY, AS DESCRIBED IN THIS OFFICIAL STATEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF CONTRA COSTA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 2009 NOTES, OTHER THAN THE SALES TAX LEVIED BY THE AUTHORITY.

Limitations on Additional Debt So Long as Series 2009 Notes Are Outstanding

Pursuant to the Indenture, subsequent to the issuance of the Series 2009 Notes, the Authority has covenanted and agreed that the Authority will not, so long as any Series 2009 Notes are Outstanding: (i) issue any additional Bonds other than the Take-Out Bonds; (ii) incur any additional Parity Obligations (other than Parity Obligations relating to Rebate Requirement obligations); (iii) issue or incur any additional Subordinate Obligations unless such Subordinate Obligations mature after the Maturity Date and do not require the Authority to make any payments of principal on or prior to the Maturity Date; (iv) issue or incur any additional Fee and Expense Obligations; or (v) issue or incur any additional obligations or securities, howsoever denominated, payable in whole or in part from Sales Tax Revenues, unless such obligations or securities mature after the Maturity Date and do not require the Authority to make any payments of principal on or prior to the Maturity Date. See "PLAN OF FINANCING—The 2005 Swap and The Amended Swap" herein and "—Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations" below for a description of certain terms of the Amended Swap and how the Authority's obligations under the Amended Swap will be secured under the Indenture as Parity Obligations and Fee and Expense Obligations.

Revenue Fund; Allocation of Sales Tax Revenues

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Authority has assigned the Sales Tax Revenues to the Trustee and shall cause the Board of Equalization to transmit the same directly to the Trustee each month, net of the BOE Fee which is deducted quarterly. The Trustee will forthwith deposit all Sales Tax Revenues in the Revenue Fund, maintained and held in trust by the Trustee, when and as such Sales Tax Revenues are received by the Trustee. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Allocation of Sales Tax Revenues." The Sales Tax Revenues are to be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and Parity Obligations and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

So long as any Bonds are Outstanding or any Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or other amounts payable under the Indenture remain unpaid, the Trustee shall set aside in each month following receipt of the Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee will establish, maintain and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that (i) on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee pursuant to the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations), (ii) regularly scheduled payments on Interest Rate Swap Agreements, including, without limitation, the Amended Swap, which constitute Parity Obligations, shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements in accordance with the Indenture and (iii) in the event any of the deposits or transfers requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient funds to make all such deposits and payments, then such deposits and payments shall be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available funds):

(1) Interest Fund. Following receipt of the Sales Tax Revenues in each month, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by the provision of the Indenture described in subparagraph (b) below) during the next ensuing six months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by the provision in the Indenture described in subparagraph (b) below) is on deposit in such fund; provided that from the date of delivery of a Series of Current Interest Bonds until the first Interest Payment Date with respect to such Series of Bonds the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said Interest Payment Date with respect to such Series of Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Authority, or if the Authority shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus 100 basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six months upon all of the Bonds issued hereunder and then Outstanding, and on March 1 and September 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having Interest Payment Dates other than March 1 and September 1) shall be transferred to the Authority (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates).

When there are Liquidity Facility Bonds outstanding, such deposits shall take into account the Liquidity Facility Rate on Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds. For purposes of the provisions set forth above relating to the Principal Fund, Liquidity Facility Bonds shall be treated as Serial Bonds with maturity dates on the payment dates specified for any amortizations or redemptions.

(2) Principal Fund; Sinking Accounts. Following receipt of the Sales Tax Revenues in each month, the Trustee shall deposit in the Principal Fund as soon as practicable in such

month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds (excluding the Series 2009 Notes) of all Series having annual maturity dates within the next 12 months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment over any other such payment.

In the event that the Sales Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued hereunder and then Outstanding and maturing by their terms within the next 12 months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than March 1 of each year, the Trustee shall request from the Authority a Certificate of the Authority setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On March 1 of each year or as soon as practicable thereafter any excess amounts in the Principal Fund not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than March 1) shall be transferred to the Authority.

When there are Liquidity Facility Bonds outstanding, such deposits shall take into account any amortizations of any Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds.

(3) Bond Reserve Fund. Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to the Indenture, each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Establishment and Application of Funds and Accounts and Application of Bond Reserve Funds."

(4) Subordinate Obligations Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." After the transfers described above in (1), (2) and (3) have been made, the Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Authority shall specify in writing is necessary to make payments due and payable during the following month with respect to Subordinate Obligations then outstanding.

(5) Fees and Expenses Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Fees and Expenses Fund." After the transfers described in (1), (2), (3) and (4) above have been made, the Trustee shall deposit in the Fees and Expenses Fund in each month the amounts necessary for the payment of Fee and Expense Obligations owing in such month or owing in the following month by the Authority.

Any Revenues remaining in the Revenue Fund after the foregoing transfers described in (1), (2), (3), (4) and (5), except as the Authority shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Authority on the same Business Day or as soon as practicable thereafter. The Authority may use and apply the Revenues when received by it for any lawful purpose of the Authority, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine and the posting of collateral in accordance with the provisions of the Amended Swap or other Interest Rate Swap Agreement. Any Revenues used to post collateral under the Amended Swap or any other interest rate swap agreement are no longer subject to the pledge under the Indenture.

If five days prior to any principal payment date, Interest Payment Date or mandatory redemption date, the amounts on deposit in the Revenue Fund, the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Authority has covenanted and agreed to transfer to the Trustee from any Revenues then its possession, the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice by the Authority to the Trustee.

See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Establishment and Application of Funds and Accounts" for a summary of certain additional provisions of the Indenture relating to application of the funds held by the Trustee described above.

Parity Obligations and Additional Bonds

Regularly scheduled payments made pursuant to the Amended Swap constitute Parity Obligations under the Indenture. Such payments are the only Parity Obligations that will be secured by Sales Tax Revenues upon delivery of the Series 2009 Notes. See "PLAN OF FINANCING—The 2005 Swap and The Amended Swap" and "—Covenant to Issue Take-Out Bonds" above for a description of certain terms of the Amended Swap and the Authority's plans to retire the Series 2009 Notes on or prior to the Maturity Date with the Take-Out Bonds. Pursuant to the Indenture, the Authority has pledged the proceeds of the Take-Out Bonds for such purpose. Following the issuance of the Take-Out Bonds, the Authority may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of Sales Tax Revenues on a parity with the Series 2009 Notes, the existing Parity Obligations and any additional Parity Obligations, subject to the limitations described under "—Limitations on Additional Debt So Long as Series 2009 Notes Are Outstanding" and compliance with the terms and provisions set forth in the Indenture, which do not impose my financial tests for the issuance of the Take-Out Bonds. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Take-Out Bonds; Proceedings for Issuance of Take-Out Bonds and Other Obligations."

Issuance of Additional Bonds. Subsequent to the issuance of the Series 2009 Notes, the Authority may by Supplemental Indenture establish one or more series of Bonds payable from Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with the Series 2009 Notes and other Parity Obligations, but only upon compliance by the Authority with certain provisions of the Indenture (excluding the Take-Out Bonds, the issuance of which are not subject to the provisions of the Indenture described below). These provisions include:

(a) No Event of Default shall have occurred and then be continuing.

(b) If the Supplemental Indenture providing for the issuance of such Series of Bonds requires either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Bonds, the Supplemental Indenture providing for the issuance of such additional Bonds shall require deposit of the amount necessary. Such deposit may be made from the proceeds of the sale of such additional Bonds or from other funds of the Authority or from both such sources or in the form of a Reserve Facility as described under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions" and "—Establishment and Application of Funds and Accounts - Funding and Application of Bond Reserve Funds."

(c) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by the Act or any other law or by any Supplemental Indenture.

(d) The Authority shall place on file with the Trustee a Certificate of the Authority certifying: (i) that the amount of Sales Tax Revenues collected during any 12 consecutive calendar months specified by the Authority within the most recent 18 calendar months immediately preceding the date on which such additional Bonds will become Outstanding shall have been at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued and (ii) that the amount of Sales Tax Revenues collected during any 12 consecutive calendar months specified by the Authority within the most recent 18 calendar months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 1.15 times Maximum Annual Debt Service on all Series of Bonds, Parity Obligations and Subordinate Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.

(e) Principal payments of each Series of additional Bonds shall be due on March 1 or September 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of additional Bond to be issued, and, if the interest on such Series of additional Bonds is to be paid semiannually, such interest payments shall be due on March 1 and September 1 in each year to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of additional Bond to be issued.

Nothing contained in the Indenture shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of a Series of additional Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such Series of additional Bonds or any portion thereof.

In the event additional assets or revenues are included within the definition of "Revenues" by a Supplemental Indenture, such additional assets or revenues shall be included in the calculations to be provided pursuant to the Indenture provisions described in subsection (d) above as if such additional assets or revenues had always been included in "Revenues."

See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Take-Out Bonds; Proceedings for Issuance for Take-Out Bonds and Other Obligations" for a summary of restrictions and additional provisions of the Indenture relating to the issuance of additional Bonds.

Issuance of Refunding Bonds. Refunding Bonds (excluding the Take-Out Bonds, the issuance of which are not subject to the provisions of the Indenture described below) may be authorized and issued by the Authority without compliance with the provisions of the Indenture summarized above under the caption "—Issuance of Additional Bonds;" provided that the Trustee shall have been provided with a Certificate of the Authority to the effect that the Authority has determined that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Take-Out Bonds, Proceedings for Issuance of Take-Out Bonds and Other Obligations—Issuance of Refunding Bonds" for a summary of restrictions and additional provisions of the Indenture relating to the issuance of Refunding Bonds.

Parity Obligations. As defined in the Indenture, "Parity Obligations" includes (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money, (ii) any obligation to pay the Rebate Requirement, or (iii) regularly scheduled payments on any Interest Rate Swap Agreement entered into in connection with a Series of Bonds, in each case incurred in accordance with the Indenture, and in each case having an equal lien and charge upon the Sales Tax Revenues and therefore being payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The regularly scheduled payments on the Amended Swap will constitute Parity Obligations. Parity Obligations do not include termination payments or payments for fees and expenses incurred in connection with any Interest Rate Swap Agreement, including the Amended Swap, which payments shall be secured as Fee and Expense Obligations. The Authority may issue or incur additional Parity Obligations which will have, when issued, an equal lien and charge upon the Sales Tax Revenues, provided that the conditions to the issuance of such Parity Obligations set forth in the Indenture are satisfied, including satisfaction of the coverage test described in subsection (d) above under the caption "—Issuance of Additional Bonds," unless such Parity Obligations are being issued for refunding purposes, in which case the coverage test shall not apply. The Authority may issue, from time to time, Parity Obligations that constitute Interest Rate Swap Agreements being entered into in advance of the issuance of a Series of Bonds to which such Interest Rate Swap Agreements relate, provided that the Authority certifies that the issuance of the Series of Bonds to which such Interest Rate Swap Agreement relates is expected to satisfy the coverage test described in subsection (d) above under the caption "—Issuance of Additional Bonds," after taking into account adjustment of Debt Service on such Bonds to reflect the impact of such Forward Starting Swap.

See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Take-Out Bonds; Proceedings for Issuance of Take-Out Bonds and Other Obligations—Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations" for a summary of restrictions and additional provisions of the Indenture relating to the issuance of Parity Obligations.

Subordinate Obligations

In accordance with the provisions of the Indenture, the Authority may incur other obligations payable out of Sales Tax Revenues on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Bonds and Parity Obligations, as the same become due and payable and at the times and in the manner as required by the Indenture or as required by the instrument pursuant to which such Bonds or Parity Obligations were issued or incurred, as applicable (collectively, the "Subordinate Obligations"). See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Take-Out Bonds; Proceedings for Issuance of Take-Out Bonds and Other Obligations—Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations" for a summary of the restrictions and additional provisions of the Indenture relating to the issuance of Subordinate Obligations.

Fee and Expense Obligations

In accordance with the provisions of the Indenture, the Authority may incur other obligations (collectively, the "Fee and Expense Obligations"), which obligations are payable from Sales Tax Revenues on a basis junior and directly subordinate to the Bonds, Parity Obligations and Subordinate Obligations. "Fee and Expense Obligations" include interest rate swap termination payments, including termination payments on the Amended Swap and any other Interest Rate Swap Agreements and other obligations of the Authority that constitute fees, expenses and similar charges in connection with any Bonds, Parity Obligations or Subordinate Obligations. See "PLAN OF FINANCING—The 2005 Swap and The Amended Swap" herein. See also APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Take-Out Bonds; Proceedings for Issuance of Take-Out Bonds and Other Obligations—Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations" for a summary of the provisions of the Indenture relating to the issuance of Fee and Expense Obligations.

Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations

Pursuant to the Indenture, the regularly scheduled payments required to be paid by the Authority under the Amended Swap (excluding fees and expenses and termination payments under the Amended Swap) will constitute Parity Obligations under the Indenture and the fees and expenses and termination payments, if any, required to be paid by the Authority under the Amended Swap will constitute Fee and Expense Obligations. Upon the issuance or incurrence of any other obligations that constitute Parity Obligations, Subordinate Obligations or Fee and Expense Obligations, the Authority shall, in a certificate to the Trustee, identify such obligations as Parity Obligations, Subordinate Obligations or Fee and Expense Obligations. See "—Limitations on Additional Debt So Long as Series 2009 Notes Are Outstanding" above for limitations on such issuance or incurrence.

THE AUTHORITY

General Description

The Authority is a local transportation authority organized under the provisions of the Act, which was created on February 2, 1988 by action of the Board of Supervisors of the County, designating the Contra Costa Transportation Partnership Commission (the "Partnership Commission") as the Authority. The Partnership Commission was a planning committee created by the Contra Costa Conference of Mayors in February 1987 in order to develop a County-wide transportation master plan and improvement program. Membership of the Partnership Commission consisted of two representatives from each of four regional transportation planning committees, the memberships of which consisted of elected officials and other representatives of the cities and Board of Supervisors of the County, two representatives of the Board of Supervisors of the County and one representative from the Conference of Mayors. By designating the Partnership Commission as the Authority, the Board of Supervisors of the County determined the membership of the Authority to be the membership as determined by the Partnership Commission. The determination of the membership of the Authority was concurred in by a majority of the cities having a majority of the population in the incorporated area of the County. No city is guaranteed a position on the Authority, however each member of the Authority must be an elected official of a local governmental entity within the County. Members of the Board of Supervisors of the County must comprise less than a majority of the Authority.

The current members of the Authority and their elected offices are presented below:

Maria T. Viramontes, Chair	Council Member, City of Richmond
Robert Taylor, Vice Chair	Mayor, City of Brentwood
Janet Abelson	Mayor Pro Tem, City of El Cerrito
Newell Arnerich	Mayor, Town of Danville
Ed Balico	Council Member, City of Hercules
Susan Bonilla	Supervisor, Board of Supervisors, County of Contra Costa
David Durant	Council Member, City of Pleasant Hill
Federal Glover	Supervisor, Board of Supervisors, County of Contra Costa
Michael Kee	Council Member, City of Pittsburg
Mike Metcalf	Council Member, Town of Moraga
Julie Pierce	Mayor, City of Clayton

The Authority is responsible for carrying out the provisions of the Ordinance and the Contra Costa Transportation and Growth Management Expenditure Plan (the "Expenditure Plan"), including the allocation of the Sales Tax pursuant to the Ordinance and the Expenditure Plan, the determination of project timing, the development of a County congestion management program as the County's designated congestion management agency, the development of a model Transportation Systems Management ordinance, and the development of a model Growth Management element for inclusion in the General Plans of the County and the cities within the County. See "CONTRA COSTA TRANSPORTATION IMPROVEMENT PROGRAM" herein.

Authority Staff

Key members of the Authority staff are identified below:

Robert K. McCleary, Executive Director. Mr. McCleary serves as the Authority's chief executive and is responsible for the overall management of the Authority, including its projects, programs, policies and procedures, the board-approved budget, and all personnel decisions. Mr. McCleary has served the Authority since 1989. Prior to joining the Authority, he served as Deputy Director for Project Management for the Santa Clara County Traffic Authority, the first local sales tax authority in California, as Deputy Director for Finance of the California Transportation Commission, and as staff to the Office of the Legislative Analyst for the California Legislature. Mr. McCleary holds a Bachelor of Science degree and a Master of Science degree in Electrical Engineering, both from Stanford University, and a Ph.D. from the University of California at Davis in Ecology, with an emphasis on urban transportation and air quality.

Randall O. Carlton, Chief Financial Officer. Mr. Carlton serves as the chief financial officer and director of administrative, personnel and support functions at the Authority. In this capacity, he also serves as the treasurer, managing the Authority's investments. Mr. Carlton joined the Authority in 2007. Prior to joining the Authority, he served as the Chief Financial Officer/Controller for the East Bay Regional Park District for approximately 5 years. Prior to the Park District, Mr. Carlton was employed by the City of Fresno where he held various positions in financial management over a 14 year period, including the positions of City Controller and Treasury Manager. Mr. Carlton holds a Bachelor of Arts degree in Public Administration and a Masters of Public Administration from the California State University at Fresno.

Paul F. Maxwell, Chief Deputy Executive Director, Projects. Mr. Maxwell is directly responsible for managing the Authority's involvement in the Authority's capital improvement program. He coordinates, through the Authority's program management consultant, Nolte Associates, Inc., the implementation of the program of projects identified in the Expenditure Plan by proponent jurisdictions. Mr. Maxwell joined the Authority in 1990. Prior to joining the Authority, Mr. Maxwell served as Manager of Planning at the Metropolitan Transportation Commission for 13 years. Mr. Maxwell holds a Bachelor of Science degree in Civil Engineering from the University of Newcastle upon Tyne, England and a Master of Science degree in Transportation Engineering from the University of California at Berkeley. He is a registered Civil and Traffic Engineer in California.

Martin R. Engelmann, Deputy Executive Director, Planning. Mr. Engelmann is responsible for implementing the Authority's Growth Management Program. He is also in charge of implementing the State-mandated Congestion Management Program for the County. Mr. Engelmann joined the Authority in 1990. Prior to joining the Authority, Mr. Engelmann worked with Bechtel Corporation for 8 years, serving on the program management staff for the Santa Clara Traffic Authority and on several international airport projects. Mr. Engelmann holds a Bachelor of Science degree in Civil Engineering and a Bachelor of Arts degree in Economics from the University of Maryland, and a Master of Science degree in Transportation Engineering and Planning from the University of California at Berkeley. He is a registered Civil Engineer in California.

Arielle E. L. Bourgart, Assistant Director, Community and Government Affairs. Ms. Bourgart manages legislative and key community issues for the Authority and oversees the Authority's communications to the press, local jurisdictions and interest groups. She represents the Authority on statewide and regional public policy organizations, committees and working groups. Ms. Bourgart joined the Authority in November 1990. Prior to joining the Authority, she served as Director of Transportation and Land Use for the Silicon Valley Leadership Group, a Silicon Valley business association, and as

Public Relations Director of RIDES for Bay Area Commuters in San Francisco. Ms. Bourgart holds a Bachelor of Arts degree in History from LeMoyne College, Syracuse, New York.

THE SALES TAX

General Description

The Act, among other things, authorizes the Authority to establish a retail transactions and use tax applicable in the incorporated and unincorporated territory of the County in accordance with the California Transactions and Use Tax Law (Revenue and Taxation Code Sections 7251 et seq.) upon authorization by a majority of the electors voting on the issue. On November 8, 1988, in accordance with the Act, the voters of the County approved Measure C, imposing the Sales Tax in the County for a period of twenty years, which began on April 1, 1989 and expired on March 31, 2009 (the "Measure C Sales Tax"). On November 2, 2004, in accordance with the Act, the voters of the County approved Measure J, authorizing the extension of the Measure C Sales Tax, which commenced on April 1, 2009 and expires on March 31, 2034. Such extension of the Measure C Sales Tax by Measure J is referred to herein as the "Sales Tax." The Sales Tax consists of a one-half of one percent (½%) sales tax on the gross receipts of retailers from the sale of tangible personal property sold in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain limited exceptions described below.

The Sales Tax imposed by the Authority is in addition to a one-half of one percent (½%) sales tax levied in the County for transit purposes and in addition to the eight and one-quarter percent (8¼%) sales and use tax currently levied statewide. In general, the statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property and the statewide use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. The statewide use tax does not apply to cases where the sale of the property is subject to the sales tax, therefore the application of the statewide use tax is generally applied to purchases made outside of the State for use within the State.

The Sales Tax is generally imposed upon the same transactions and items subject to the statewide sales and use tax (hereinafter collectively referred to as the "State Sales Tax"), with generally the same exceptions. Several categories of transactions are exempt from the State Sales Tax and the Sales Tax. Significant exemptions include: sales of food products for human consumption (this exemption does not include hot prepared foods and food consumed on the premises where purchased), prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity and water when delivering to consumers through mains, lines and pipes. In addition, "occasional sales" (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the Sales Tax; however, the "occasional sales" exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the County which is shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee at such point, are exempt from the State Sales Tax and from the Sales Tax.

Action by the State legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Sales Tax are imposed. A voter initiative approved in 1992 eliminated taxation for candy, gum, bottled water and confectionery. In 1993, certain types of transactions subject to the State Sales Tax were eliminated through repeal of legislation. The State legislature could further change the transactions and items upon which the State Sales Tax and the Sales Tax are imposed. In addition, other voter initiative measures could be adopted, further affecting the receipt of Sales Tax Revenues. Such changes or amendments could have either an adverse or a beneficial effect on Sales Tax

Revenues. The Authority is not currently aware of any proposed legislative change which would have a material adverse effect on Sales Tax Revenues. See "RISK FACTORS—Proposition 218."

Collection of Sales Tax Revenues

Collection of the Sales Tax is administered by the Board of Equalization. The Authority and the Board of Equalization have entered into an Amended and Restated Agreement for State Administration of a Transactions and Use Tax to authorize payment of Sales Tax Revenues directly to the Trustee. The State Board of Equalization, after deducting amounts payable to itself, is required to remit the balance of amounts received from the Sales Tax directly to the Trustee.

Prior to July 1, 1993, the amount retained by the Board of Equalization was based on a flat 0.82% of the receipts of the Sales Tax. Effective July 1, 1993, the amount retained by the Board of Equalization is based on the total special taxing jurisdiction costs reflected in the annual budget of the State of California, and includes direct, shared and central agency costs incurred by the Board of Equalization. For fiscal year 1995 and each fiscal year thereafter, the amount retained by the Board of Equalization will be adjusted to account for the difference between the Board of Equalization's recovered costs and the actual costs incurred by the Board of Equalization during the prior two fiscal years. Commencing July 1, 1998, the amount retained by the Board of Equalization may not exceed the lesser of the percentage retained for the fiscal year ended June 30, 1999 and 1.5% of the receipts of the Sales Tax. The amount retained by the Board of Equalization for the fiscal year ended June 30, 2009 was $777,600. The Authority has been advised by the Board of Equalization that the estimated amount to be retained by the Board of Equalization for the fiscal year ending June 30, 2010 is $791,000.

Historical Taxable Transactions

For information concerning historical taxable transactions in the County, see APPENDIX B—"CERTAIN INFORMATION REGARDING THE COUNTY OF CONTRA COSTA—Commercial Activity—County of Contra Costa Taxable Transactions 2004 to 2008."

Historical Sales Tax Revenues

The Measure C Sales Tax went into effect on April 1, 1989, and the first collections were remitted to the Authority on June 12, 1989. Pursuant to its procedures, the Board of Equalization projects receipts of the Sales Tax on a quarterly basis and remits an advance of the receipts of the Sales Tax to the Authority on a monthly basis. The amount of each monthly advance is based upon the Board of Equalization quarterly projection. During the last month of each quarter, the Board of Equalization adjusts the amount remitted to reflect the actual receipts of the Sales Tax for the previous quarter.

The following table shows Sales Tax Revenues received by the Authority from the Board of Equalization for the fiscal years ended June 30, 1989 through June 30, 2009. Sales Tax Revenues set forth in the following table are the amounts received from the Board of Equalization after deduction by the Board of Equalization of the amount payable to the Board of Equalization and do not include any investment earnings. **The Series 2009 Notes are not secured by proceeds of the Measure C Sales Tax, which expired pursuant to its terms on March 31, 2009.**

HISTORICAL SALES TAX REVENUES
(Dollars in Thousands)

Fiscal Year Ended June 30,	Sales Tax Revenues[1]	Percentage Change[2]
1989	$ 4,615[3]	N.A.
1990	36,160	N.A.
1991	39,096	8.1 %
1992	37,700	(3.6)
1993	38,466	2.0
1994	39,182	1.9
1995	40,971[4]	4.6
1996	44,222	7.9
1997	45,470	2.8
1998	49,050	7.9
1999	51,509	5.0
2000	58,655	13.9
2001	66,047	12.6
2002	65,168	(1.3)
2003	65,782	0.9
2004	65,684	(0.2)
2005	71,014	8.1
2006	74,676	5.2
2007	75,738	1.4
2008	74,680	(1.4)
2009	64,322[5]	(13.9)

(1) Sales Tax Revenues, excluding Sales Tax Revenues for the fiscal year ended June 30, 2009, which are unaudited, are as set forth in the audited financial statements of the Authority and have been rounded to the nearest thousand and represent receipts from the Measure C Sales Tax through March 31, 2009 and thereafter Sales Tax Revenues received pursuant to Measure J.

(2) Percentages have been calculated based on rounded Sales Tax Revenues.

(3) Amount includes receipts from the date of inception of the Measure C Sales Tax, April 1, 1989.

(4) During the fiscal year ended June 30, 1995, the Authority adopted Governmental Accounting Standards Board Statement No. 22 ("GASB 22"). Pursuant to this accounting change, the Authority accrues Sales Tax Revenues for each fiscal year for the 12-month period beginning on September 1 of each fiscal year and ending on August 31 following the end of such fiscal year. Adoption of GASB No. 22 resulted in recording September to August Sales Tax Revenues as the fiscal year total, adding $3.948 million to the Authority's fund balance and to a local street and road maintenance distribution payable for the fiscal year ended June 30, 1995.

(5) Includes receipts from the Measure C Sales Tax through March 31, 2009 and Sales Tax Revenues received pursuant to Measure J from April 1, 2009 through June 30, 2009. Unaudited.

Source: The Authority.

Sales Tax receipts for the year ended June 30, 2009 totaled approximately $64.3 million (unaudited) which represents a decline of approximately 13.9% when compared to the prior fiscal year. For the period of April 1, 2009 through June 30, 2009, reported on a cash basis of accounting, Measure J Sales Tax receipts were approximately $15.2 million, which represents a decline of approximately 18.6% from Measure C Sales Tax receipts reported for the same three-month period in the fiscal year ended June 30, 2008.

Projected Debt Service Coverage

The following table sets forth coverage of projected debt service on the Take-Out Bonds by the amount of Measure J Sales Tax Revenues budgeted by the Authority to be received during Fiscal Year 2010, which is $64.3 million (net of BOE Fees), which $64.3 million represents no change from Sales Tax Revenues received during Fiscal Year 2009 (unaudited). The Sales Tax Revenues budgeted to be received by the Authority during Fiscal Year 2010 is a projection by the Authority based on (i) the prior fiscal year actual receipts, (ii) consultation with other public agencies and (iii) adjustment for current economic conditions. Actual Sales Tax Revenue receipts are monitored and reported by the Authority monthly and quarterly and are compared against the budget projection. As the actual Sales Tax Revenues are reported by the Authority, the Authority evaluates this information against budget projections. Additionally, in March of each year, the Authority generates a detailed six-month report of all the Authority's revenue and expenditure categories, including Sales Tax Revenues. As a result, the Authority may thereafter adjust revenue and expenditure categories upward or downward, as reasonably required.

The projection of Measure J Sales Tax Revenues for Fiscal Year 2010 has been prepared by the Authority solely for the purposes of internal financial and strategic planning, and the Authority has no special expertise in the preparation of revenue projections. This projection was not made with any reference to any standards or guidelines for the preparation of revenue forecasts or projections and is not intended to be a forecast of financial position, results of operations or cash flow of the Authority. The Authority has projected no change in Sales Tax Revenues to be received in Fiscal Year 2010 from Sales Tax Revenues received during Fiscal Year 2009. In the opinion of the Authority, this projection of Measure J Sales Tax Revenues included herein represents the Authority's current projection of Measure J Sales Tax Revenues expected to be received during Fiscal Year 2010. However, this projection should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on this projected financial information.

The actual Sales Tax Revenues that will be received and deposited into the Revenue Fund in Fiscal Year 2010 may vary from this projected amount because of fluctuating economic conditions and other variables affecting Sales Tax collections which cannot be predicted with certainty**. Such differences between actual receipts and this projection could be material.**

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PRO FORMA DEBT SERVICE COVERAGE

(Dollars in Thousands)

Fiscal Year Ending June 30,	Sales Tax Revenues Budgeted by the Authority to be Received in Fiscal Year 2010	Annual Debt Service[1]	Pro Forma Coverage of Annual Debt Service	Maximum Annual Debt Service[1]	Pro Forma Coverage of Maximum Annual Debt Service
2011	$64,299,521	$7,156,076	8.99x	$26,328,598	2.44x
2012	64,299,521	9,299,725	6.91x	26,328,598	2.44x
2013	64,299,521	9,304,063	6.91x	26,328,598	2.44x
2014	64,299,521	9,300,513	6.91x	26,328,598	2.44x
2015	64,299,521	9,304,338	6.91x	26,328,598	2.44x
2016	64,299,521	9,300,013	6.91x	26,328,598	2.44x
2017	64,299,521	9,302,800	6.91x	26,328,598	2.44x
2018	64,299,521	9,302,175	6.91x	26,328,598	2.44x
2019	64,299,521	9,303,138	6.91x	26,328,598	2.44x
2020	64,299,521	9,300,425	6.91x	26,328,598	2.44x
2021	64,299,521	9,304,038	6.91x	26,328,598	2.44x
2022	64,299,521	9,303,450	6.91x	26,328,598	2.44x
2023	64,299,521	9,303,663	6.91x	26,328,598	2.44x
2024	64,299,521	9,299,413	6.91x	26,328,598	2.44x
2025	64,299,521	9,300,700	6.91x	26,328,598	2.44x
2026	64,299,521	26,247,187	2.45x	26,328,598	2.44x
2027	64,299,521	26,256,392	2.45x	26,328,598	2.44x
2028	64,299,521	26,264,192	2.45x	26,328,598	2.44x
2029	64,299,521	26,274,626	2.45x	26,328,598	2.44x
2030	64,299,521	26,281,642	2.45x	26,328,598	2.44x
2031	64,299,521	26,294,232	2.45x	26,328,598	2.44x
2032	64,299,521	26,306,161	2.44x	26,328,598	2.44x
2033	64,299,521	26,316,332	2.44x	26,328,598	2.44x
2034	64,299,521	26,328,598	2.44x	26,328,598	2.44x

(1) Assumes the Take-Out Bonds will be issued in an aggregate principal amount of $220,920,000, with $200,000,000 of principal issued as variable rate bonds and $20,920,000 of principal issued as fixed rate bonds, which aggregate amount the Authority estimates will be sufficient to (i) repay the Series 2009 Notes; (ii) fund a debt service reserve fund for the Take-Out Bonds; and (iii) pay costs of issuance of the Take-Out Bonds. Interest on the variable rate portion of the Take-Out Bonds is calculated based on an assumed interest rate of 3.6574%, which is the fixed rate of interest payable by the Authority pursuant to the Amended Swap, which was executed on September 18, 2009. See "PLAN OF FINANCING—The 2005 Swap and The Amended Swap" herein for a description of certain terms of the Amended Swap. Interest on the fixed rate portion of the Take-Out Bonds is calculated at an assumed interest rate of 5.25%. Principal amortization reflects the scheduled amortization of the notional amount of the Amended Swap. Debt service on outstanding CP Notes, which will be retired with proceeds of the Series 2009 Notes, is not included.

However, there can be no assurance that the Authority will be able to issue the Take-Out Bonds or that the Authority will be able to issue the Take-Out Bonds as variable rate bonds or that, if variable rate bonds are issued, it will be able to achieve a fixed rate of interest on the Take-Out Bonds pursuant to the Amended Swap or any other interest rate swap agreement. See "RISK FACTORS—Access to Capital Markets" herein. The Authority has covenanted to use its best efforts to issue the Take-Out Bonds on or prior to the Maturity Date at interest rates not to exceed the Maximum Rate, subject to the terms of the Indenture, to provide funds in an amount that will be sufficient to pay, together with other lawfully available funds, the principal of and accrued interest due on the Series 2009 Notes. See "PLAN OF FINANCING—Covenant to Issue Take-Out Bonds" herein. See "RISK FACTORS—Projected Debt Service Coverage on Take-Out Bonds at Maximum Interest Rate," which shows the projected pro forma debt service coverage on the Take-Out Bonds if issued at a fixed rate of interest equal to the Maximum Rate.

CONTRA COSTA TRANSPORTATION IMPROVEMENT PROGRAM

General Description

The Expenditure Plan, authorized by the Ordinance, allocates Sales Tax Revenues to the various projects and programs authorized by Measure J. The Expenditure Plan allocates $2 billion in uninflated 2004 dollars.

Expenditure Plan and Strategic Plan

To determine the initial program of specific projects to be implemented within the Expenditure Plan, the Authority adopted a strategic plan (the "Strategic Plan"), which the Authority reviews and updates on a periodic basis, usually every two years. In connection with each review and update of the Strategic Plan, the Authority assesses financial assumptions, revenue forecasts and project delivery in order to determine how to allocate future resources. The first Strategic Plan relating to Measure J, herein referred to as the 2007 Strategic Plan, was adopted by the Authority on March 19, 2008 and makes programming recommendations through fiscal year 2014-15.

Included in the Expenditure Plan and each update of the Strategic Plan are funding categories for capital projects (such as Caldecott Tunnel and State Route 4 East Widening), and programs, including transportation for seniors and people with disabilities, local streets maintenance and improvements, bus services, transportation for livable communities, commute alternatives, and others.

The Authority programs funds for individual projects, provided that the total project category commitment in 2004 dollars does not exceed a determined percentage of the amount identified for that project category in the Expenditure Plan, such percentage amount being hereinafter referred to as an "expenditure cap." Each update of the Strategic Plan includes a review of projects and budgeted revenues and, if warranted, the expenditure caps are adjusted.

The initial allocation of funds (expressed in 2004 dollars) set forth in the Expenditure Plan for capital projects, and the current allocation as per the expenditure cap (expressed in 2004 dollars for consistency with the Expenditure Plan) set forth in the 2007 Strategic Plan for such projects, are shown in the table below.

EXPENDITURE PLAN AND CURRENT ALLOCATIONS
(2004 Dollars)

Capital Project Categories	Initial Expenditure Plan Allocation	Current Allocation
Caldecott Tunnel	$125,000,000	$112,500,000
BART – East Contra Costa Rail Extension	150,000,000	123,750,000
State Route 4 East Widening	125,000,000	112,500,000
Capitol Corridor Improvements	15,000,000	13,500,000
East County Corridors	94,500,000	85,050,000
Interchange Improvements on I-680 and SR242	36,000,000	32,400,000
I-680 Carpool Lane Gap Closure and Transit Corridor Improvements	100,000,000	90,000,000
Richmond Parkway	16,000,000	14,400,000
BART Parking, Access and Other Improvements	41,000,000	36,900,000
Additional Bus Transit Enhancement	5,222,000	4,700,000
Major Streets, Traffic Flow & Safety Improvements	80,400,000	72,360,000
Capitol Corridor Rail Station Improvements at Martinez	2,500,000	2,250,000

Source: The Authority.

Funding of the major program categories identified in the Expenditure Plan, including but not limited to, transportation for seniors and people with disabilities, local streets maintenance and improvements, bus services, transportation for livable communities, commute alternatives, and others is allocated on an annual basis, based upon a percentage of annual revenues. Programs receive a total of approximately 58.969% of annual Sales Tax Revenues.

The 2007 Strategic Plan (i) refines the overall estimate of revenues of the Sales Tax expected to be received through fiscal year 2014-15, (ii) sets forth the policies of the Authority for programming of projects and the policies specific to individual projects and (iii) makes financial commitments, in specific fiscal years to individual projects. Estimated project costs are identified in the 2007 Strategic Plan in both 2004 dollars for consistency with the Expenditure Plan and in current (or escalated) dollars. The 2007 Strategic Plan also imposed expenditure caps for most of the project categories, a policy first adopted when the Strategic Plan was revised in 1993. An update of the Strategic Plan to reflect revised revenue and cost assumptions is scheduled for approval by the governing body of the Authority in the fall of 2009.

Project Implementation and Funding

The Authority provides funds to various local and government agencies for the design and construction or operation of certain transportation projects. The Authority itself manages the design of several projects and the construction of a limited number of other projects identified in the Strategic Plan. The funding commitment of the Authority to any project represents a "not to exceed" limit of Measure J funds, and is in not a commitment to reserve such funds for a given project if such funds are not needed. The Authority has entered into cooperative agreements with sponsoring agencies, such as the County, the various cities in the County, BART and the State of California Department of Transportation, defining the responsibilities of each party for implementing various projects.

INVESTMENTS AND INVESTMENT POLICY

All funds of the Authority (except retirement funds) are invested in accordance with the investment policy adopted by the Authority on June 17, 2009 (the "Investment Policy") and the provisions of the Government Code of the State of California which regulate the investment of public funds. A copy of the investment policy of the Authority is attached here to as APPENDIX C.

All amounts held under the Indenture are invested at the direction of the Authority, but only in Investment Securities, as defined in the Indenture, and are subject to certain limitations contained in the Indenture. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions" and "—Investment in Funds and Accounts."

RISK FACTORS

Access to Capital Markets

As discussed herein, the Series 2009 Notes mature on the Maturity Date. **Sales Tax Revenues will not be sufficient to pay principal of the Series 2009 Notes when due.**

The source of repayment of the principal of the Series 2009 Notes is expected to be the proceeds of the Take-Out Bonds, which have been pledged for such purpose pursuant to the Indenture. The Authority has covenanted to use its best efforts to issue the Take-Out Bonds on or prior to the Maturity Date to provide funds, together with other lawfully available funds, to pay the principal of and accrued interest on the Series 2009 Notes due on the Maturity Date, including authorizing interest rates on the Take-Out Bonds high enough to sell Take-Out Bonds, provided that such interest rates do not exceed the Maximum Rate. However, it is possible that the Authority will be unable to issue the Take-Out Bonds. No assurance can be given that the Authority will be able to issue the Take-Out Bonds on or prior to the Maturity Date or thereafter.

If the Take-Out Bonds are not issued prior to the Maturity Date, the principal of and accrued interest on the Series 2009 Notes due on the Maturity Date will be paid over time from Sales Tax Revenues as such revenues are received by the Authority and from monies, if any, available in the funds and accounts established under the Indenture. The Indenture does not contain a provision allowing for the acceleration of the Series 2009 Notes or an increase in the interest rate on the Series 2009 Notes in the event of default in the payment of principal of or interest on the Series 2009 Notes when due.

Economy of the County, the State and the Country Following Economic Downturns

The Series 2009 Notes are secured primarily by a pledge of Sales Tax Revenues, which revenues consist of the Sales Tax collections less the BOE Fees. The level of Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the County, which level of retail sales is, in turn, dependent upon the level of economic activity in the County and in the State generally. The economy of the County is in a recession as evidenced by a decrease in Sales Tax Revenues, an increased unemployment rate, a probable decrease in total personal income and taxable sales, a drop in residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums, an increase in notices of default on mortgage loans secured by homes and condominiums and an increase in foreclosures resulting from such defaults. The current domestic and international recession and financial crisis has had and may continue to have negative repercussions upon the County, State, national and global economies, including reduced revenues for government, increased unemployment, a scarcity of credit, lack of confidence in the financial sector, extreme volatility in the financial markets, reduced business activity, increased consumer bankruptcies, and increased business failures and bankruptcies. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009. This $787 billion economic stimulus measure is a combination of tax cuts and government spending on public works projects, education, health care, energy and technology. Congress, the Federal Reserve Board and other agencies of the federal government and foreign governments have taken various actions that are designed to enhance liquidity, improve the performance and efficiency of credit markets and generally stabilize securities markets and stimulate spending. There can be no assurance these actions will be effective.

The Authority has holdings in a broad range of fixed income securities and investment investments. See “INVESTMENTS AND INVESTMENT POLICY” herein. Market fluctuations have affected and may continue to affect the value of those investments. The recent disruptions in financial markets have exacerbated these market fluctuations. However, as a result of stable investments in government securities, the Authority’s investment portfolio has not suffered any major losses with respect to the principal amount of funds invested. The Authority has experienced a reduction in interest income on such investments as a result of current market conditions.

The Amended Swap

The Authority entered into the Amended Swap on September 18, 2009.* See “PLAN OF FINANCING—The 2005 Swap and The Amended Swap” for a description of the novation and amendment of the 2005 Swap and certain terms of the Amended Swap. Under the Amended Swap, the Authority will be required to make payments to BANA based on a fixed rate of interest of 3.6574% and will receive floating payments from BANA calculated upon the sum of (i) 63.5% of the London Interbank Offered Rate and (ii) 0.29%, in each case on the notional amount of the Amended Swap amortizing to March 1, 2034. Payments on the Amended Swap will accrue beginning on September 23, 2009, and the termination date of the Amended Swap is March 1, 2034. The amortization of the Take-Out Bonds is expected to match the amortization of the notional amount of the Amended Swap. The purpose of the Amended Swap is generally to convert the Authority’s variable rate obligations with respect to the Take-Out Bonds to a fixed rate obligation. Pursuant to the Indenture, the regularly scheduled payments on the Amended Swap will constitute Parity Obligations that will be secured by a pledge of and lien on Revenues on a parity with the pledge of Revenues that secures the repayment of the Series 2009 Notes. All other payments with respect to the Amended Swap, including termination payments and other fees and expenses will constitute Fee and Expense Obligations and will be secured on a basis subordinate to payments on the Series 2009 Notes and the regularly scheduled payments on the Amended Swap. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 NOTES—Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations” herein.

Under certain circumstances, the Amended Swap is subject to termination prior to its scheduled termination date and prior to the maturity of the Series 2009 Notes. In the event of an early termination of the Amended Swap, there can be no assurance that (i) the Authority will have sufficient amounts to pay any termination payment payable by it to BANA, (ii) the Authority will receive any termination payment payable to it by BANA or (iii) the Authority will be able to obtain a replacement swap agreement with comparable terms. Payments due upon early termination may be substantial.

The agreement by BANA to pay certain amounts to the Authority pursuant to the Amended Swap will not alter or affect the Authority’s obligations to pay the principal of or interest on the Series 2009 Notes. BANA has no obligation to make any payments with respect to the principal of or interest on the Series 2009 Notes. Neither the holders of the Series 2009 Notes nor any other person other than the

* The maturity date, interest payment dates, principal amount, interest rate, price and yield on the Series 2009 Notes, all as set forth on the cover page here to, were determined on September 16, 2009, and the Note Purchase Agreement among the Authority and the Underwriters relating to the purchase of the Series 2009 Notes for reoffering by the Underwriters to the public was executed and delivered on September 16, 2009.

Authority have any rights under the Amended Swap or against BANA. See "—Risk Factors Related to Swaps" below.

Risk Factors Related to Swaps

The Authority anticipates restructuring the 2005 Swap by entering into the Amended Swap and pursuant to the Indenture may enter into other interest rate swaps or hedge agreements that may be secured by a pledge of Revenues similar to the Amended Swap. However, there are limitations on incurring obligations secured by Sales Tax Revenues, including other interest rate or hedge agreements, for so long as the Series 2009 Notes are Outstanding. See "PLAN OF FINANCING—Limitations on Additional Debt So Long as Series 2009 Notes Are Outstanding" and "—The 2005 Swap and The Amended Swap" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 NOTES— Limitations on Additional Debt So Long as Series 2009 Notes Are Outstanding" herein.

Any interest rate swap or other hedge agreement, including the Amended Swap to which the Authority is or may be a party may, at any time, have a negative value to the Authority. The Authority does not expect any automatic termination events under the Amended Swap, but expects there will be various events that will give the Authority and BANA the right to terminate the Amended Swap. Other swaps or hedge agreements entered into by the Authority may have early termination rights for the Authority and the counterparty or counterparties. If either a swap or other hedge counterparty or the Authority terminates such an agreement when the agreement has a negative value to the Authority, the Authority would generally be obligated to make a termination payment to the counterparty or counterparties in the amount of such negative value, and such payment could be substantial. A termination payment on the Amended Swap is expected to be, and on any other interest rate swap agreements could be, secured as a Fee and Expense Obligation, as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 NOTES—Fee and Expense Obligations" herein. An early termination of the Amended Swap could reduce the amount of funds available to the Authority to pay the principal of and interest due on the Series 2009 Notes. A counterparty may generally only terminate such an agreement upon the occurrence of defined events of default and termination events including without limitation nonpayment by the Authority or in the event a rating agency withdraws or downgrades its rating of the Authority below specified levels.

In addition, if certain events occur, the Authority will be required to deliver collateral under the Amended Swap and may be required to deliver collateral to secure the amount that would be owed to a counterparty under any interest rate swap or other hedge agreement, and the amount of collateral required to be delivered could be substantial. A required posting of collateral could reduce the amount of funds available to the Authority to pay the principal of and interest due on the Series 2009 Notes. Any Sales Tax Revenues used to post such collateral are no longer subject to the pledge of the Indenture. If the Authority were unable to secure its obligations under the Amended Swap with required collateral pursuant to the Amended Swap, BANA will have the right to terminate the Amended Swap, and the Authority would be required to make a termination payment to BANA, the amount of which could be substantial.

Projected Debt Service Coverage on Take-Out Bonds with Maximum Interest Rate

There can be no assurance that the Authority will be able to issue the Take-Out Bonds. If the Authority is able to issue the Take-Out Bonds, there can be no assurance that the Authority will be able to issue the Take-Out Bonds as variable rate bonds or, if issued as variable rate bonds, the Authority will be able to achieve a fixed rate of interest on the Take-Out Bonds pursuant to the Amended Swap or any other interest rate swap agreement. See "—Access to Capital Markets" above. The Authority has covenanted to use its best efforts to issue the Take-Out Bonds on or prior to the Maturity Date at interest rates not to exceed the Maximum Rate, subject to the terms of the Indenture, to provide funds in an amount that will be sufficient to pay, together with other lawfully available funds, the principal of and accrued interest due on the Series 2009 Notes on such date. See “PLAN OF FINANCING—Covenant to Issue Take-Out Bonds” herein.

The table below sets forth the projected pro forma debt service coverage on the Take-Out Bonds, assuming issuance of the Take-Out Bonds at a fixed rate of interest equal to the Maximum Rate and with other terms described in the footnote. **The actual terms of the Take-Out Bonds may vary from the terms assumed in the table. These variations could be material.**

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PRO FORMA DEBT SERVICE COVERAGE
(Dollars in Thousands)

Fiscal Year Ending June 30,	Sales Tax Revenues Budgeted by the Authority to be Received in Fiscal Year 2010	Annual Debt Service[(1)]	Pro Forma Coverage of Annual Debt Service	Maximum Annual Debt Service[(1)]	Pro Forma Coverage of Maximum Annual Debt Service
2011	$64,299,521	$21,401,817	3.00x	$27,817,200	2.31x
2012	64,299,521	27,817,200	2.31x	27,817,200	2.31x
2013	64,299,521	27,815,600	2.31x	27,817,200	2.31x
2014	64,299,521	27,814,600	2.31x	27,817,200	2.31x
2015	64,299,521	27,815,600	2.31x	27,817,200	2.31x
2016	64,299,521	27,814,400	2.31x	27,817,200	2.31x
2017	64,299,521	27,816,800	2.31x	27,817,200	2.31x
2018	64,299,521	27,812,400	2.31x	27,817,200	2.31x
2019	64,299,521	27,816,400	2.31x	27,817,200	2.31x
2020	64,299,521	27,811,600	2.31x	27,817,200	2.31x
2021	64,299,521	27,812,000	2.31x	27,817,200	2.31x
2022	64,299,521	27,814,200	2.31x	27,817,200	2.31x
2023	64,299,521	27,814,200	2.31x	27,817,200	2.31x
2024	64,299,521	27,812,400	2.31x	27,817,200	2.31x
2025	64,299,521	27,813,000	2.31x	27,817,200	2.31x
2026	64,299,521	27,813,400	2.31x	27,817,200	2.31x
2027	64,299,521	27,814,800	2.31x	27,817,200	2.31x
2028	64,299,521	27,811,600	2.31x	27,817,200	2.31x
2029	64,299,521	27,812,000	2.31x	27,817,200	2.31x
2030	64,299,521	27,816,200	2.31x	27,817,200	2.31x
2031	64,299,521	27,812,000	2.31x	27,817,200	2.31x
2032	64,299,521	27,811,000	2.31x	27,817,200	2.31x
2033	64,299,521	27,810,600	2.31x	27,817,200	2.31x
2034	64,299,521	27,815,200	2.31x	27,817,200	2.31x

(1) Debt service includes payments of principal and interest on the Take-Out Bonds, assuming the Take-Out Bonds are issued in an aggregate principal amount of $224,275,000, which the Authority estimates will be an amount sufficient to (i) repay the Series 2009 Notes; (ii) fund a debt service reserve fund for the Take-Out Bonds; and (iii) pay costs of issuance of the Take-Out Bonds. Assumes the Amended Swap remains in place. Interest on the Take-Out Bonds is calculated based on the Maximum Rate of 12%. Principal is assumed to amortize generally in amounts sufficient to produce level debt service payments each year. Does not include debt service on outstanding CP Notes, which will be retired with proceeds of the Series 2009 Notes.

The Sales Tax

With limited exceptions, the Sales Tax is imposed upon the same transactions and items that are subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax is imposed and, thereby, upon which the Sales Tax is imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. The Authority is not currently aware of any proposed legislative changes that would have a material adverse affect on Sales Tax Revenues For a further description of the Sales Tax, see "THE SALES TAX" herein. See also "—Proposition 218" below.

State and Local Sales Tax

In addition to other sales taxes levied on the County level, the State currently imposes an 8.25% sales tax. Combined with the Sales Tax and the other sales taxes levied on the County level, this State sales tax results in transactions in the County being taxed at an effective rate of 9.25%. There could be additional increases in the State sales tax which could have an adverse affect on consumption resulting in a reduction in the Sales Tax Revenues.

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution. Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Authority. The Sales Tax received the approval of more than 2/3 of the voters as required by Article XIIIC. However, Article XIIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized taxes. In the opinion of the Authority, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the Sales Tax in a manner that would prevent the payment of debt service on the Series 2009 Notes would violate the Impairment of Contracts Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts.

Further Initiatives

Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, which may affect the Authority's ability to levy and collect the Sales Tax.

No Acceleration Provision or Increase in Interest Rate Upon Default

The Indenture does not contain a provision allowing for the acceleration of the Series 2009 Notes, or increase in the interest rate on the Series 2009 Notes, in the event of a default in the payment of principal of or interest on the Series 2009 Notes when due. In the event of a default by the Authority, the Holders of at least a majority of the aggregate principal amount of the Series 2009 Notes will have the rights to request the Trustee to exercise the remedies, and each Holder will have certain remedies, as set forth in the Indenture and subject to the limitations in the Indenture. See APPENDIX D— "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Application of the Revenues and Other Funds After Default; No Acceleration."

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Series 2009 Notes could become includable in federal gross income, possibly from the date of issuance of the Series 2009 Notes, as a result of acts or omissions of the Authority subsequent to the issuance of the Series 2009 Notes. If interest becomes includable in federal gross income, the Series 2009 Notes are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or, to the best knowledge of the Authority, threatened against the Authority concerning the validity of the Series 2009 Notes. The Authority is not aware of any litigation pending or threatened against the Authority questioning the political existence of the Authority or contesting the Authority's ability to impose and collect the Sales Tax.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009 Notes 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 2009 Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding whether interest on the Series 2009 Notes 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.

The Series 2009 Notes purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity ("Premium Series 2009 Notes") will be treated as having amortizable Series 2009 Note premium. No deduction is allowable for the amortizable Series 2009 Note premium for Series 2009 Notes, like Premium Series 2009 Notes, the interest on which is excludable from gross income for federal income tax purposes. However, the amount of tax exempt interest received, and a purchaser's basis in a Premium Series 2009 Note, will be reduced by the amount of amortizable Series 2009 Note premium properly allocable to such purchaser. Owners of Premium Series 2009 Notes should consult their own tax advisors with respect to the proper treatment of amortizable Series 2009 Note 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 2009 Notes. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2009 Notes 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 2009 Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2009 Notes. 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 2009 Notes may adversely affect the value of, or the tax status of interest on, the Series 2009 Notes. 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 2009 Notes 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 2009 Notes may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2009 Notes to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2009 Notes. Prospective purchasers of the Series 2009 Notes should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authorities, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2009 Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2009 Notes ends with the issuance of the Series 2009 Notes and unless separately engaged, Bond Counsel is not obligated to defend the Authority or the beneficial owners regarding the tax-exempt status of the Series 2009 Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2009 Notes 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 2009 Notes, and may cause the Authority or the beneficial owners to incur significant expense.

LEGAL MATTERS

The validity of the Series 2009 Notes and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX F hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by Nossaman LLP and for the Underwriters by their counsel, Squire, Sanders & Dempsey, L.L.P.

CONTINUING DISCLOSURE

The Authority has agreed to enter into a Continuing Disclosure Agreement concurrently with the issuance of the Series 2009 Notes, pursuant to which it will report upon the occurrence of certain material "Listed Events" to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website. The Authority will enter into the Continuing Disclosure Agreement in order to assist the

Underwriters in complying with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule"). The Authority's failure to comply with any of such covenants shall not be deemed an event of default under the Indenture, and the sole remedy under the Indenture in the event of any failure by the Authority to comply with such covenants shall be an action to compel performance. In the last five years, the Authority has never failed to comply in all material respects with its undertakings to provide annual reports or notices of material events pursuant to SEC Rule 15c2-12. See APPENDIX G—"FORM OF CONTINUING DISCLOSURE AGREEMENT."

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") have assigned short-term ratings on the Series 2009 Notes of "MIG 1" and "SP-1+," respectively. Moody's has assigned an "Issuer Rating" of "Aa3" to the Authority. In addition, S&P has assigned a preliminary long-term rating of "AA+" to the proposed Take-Out Bonds. No assurance can be given that the Take-Out Bonds will be issued. See "RISK FACTORS—Access to Capital Markets" herein. No assurance can be given as to the rating that may be assigned by either Moody's or S&P to the Take-Out Bonds, if issued.

The ratings described above reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's, 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007; and S&P, 55 Water Street, New York, New York 10041. The Authority furnished to Moody's and S&P certain information, including information not included herein. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. The Authority undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained or other actions by a rating agency relating to its rating may have an adverse effect on the market price and marketability of the Series 2009 Notes.

The Authority expects to furnish to each rating agency such information and materials as it may request. The Authority, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2009 Notes. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price and marketability of such Series 2009 Notes.

UNDERWRITING

The Authority entered into a note purchase agreement dated September 16, 2009[*] (the "Purchase Agreement") with Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Barclays Capital Inc. ("Barclays"), as underwriters of the Series 2009 Notes (collectively, the "Underwriters"), pursuant to which the Underwriters have agreed, on a joint and several basis, subject to certain conditions in the Purchase Agreement, to purchase the Series 2009 Notes at their par amount, plus an original offering premium of $4,072,000.00 and less an aggregate underwriting discount of $496,493.88. The Underwriters have agreed to purchase all of the Series 2009 Notes if any are purchased and to make a public offering thereof at the prices set forth on the cover page hereto.

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[*] The maturity date, interest payment dates, principal amount, interest rate, price and yield on the Series 2009 Notes, all as set forth on the cover page here to, were determined on September 16, 2009.

FINANCIAL ADVISOR

The Authority has retained Public Financial Management Inc., San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the Series 2009 Notes. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Compensation paid to the Financial Advisor in connection with the issuance of the Series 2009 Notes is contingent upon the issuance of the Series 2009 Notes.

RELATIONSHIP OF CERTAIN PARTIES

Bank of America, N.A. ("BANA") and Merrill Lynch Capital Services, Inc. are the counterparties to the 2005 Swap, and it is anticipated that BANA will be the counterparty to the Amended Swap. BANA is the issuer of the letter of credit securing the CP Notes. Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") is one of the underwriters for the Series 2009 Notes. Both BANA and Merrill Lynch are wholly-owned indirect subsidiaries of Bank of America Corporation.

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS

The basic financial statements of the Authority for its Fiscal Years ended June 30, 2007 and 2008, included in APPENDIX A of this Official Statement, have been audited by Maze & Associates Accounting Corporation ("Maze & Associates"), independent auditors, as stated in its report thereon. Maze & Associates was not requested to consent to the inclusion of its report in APPENDIX A, nor has it 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 Maze & Associates with respect to any event subsequent to the date of its report. For more recent financial information with respect to the collection of Sales Tax Revenues, see "THE SALES TAX—Historical Sales Tax Revenues" herein.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority and holders of any of the Series 2009 Notes. All quotations from and summaries and explanations of the Indenture, and of other statutes and documents contained herein, do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions, which are available as described herein under "INTRODUCTION—Availability of Documents" herein.

Any statements in this Official Statement involving matters of opinion are intended as such and not as representations of fact.

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The execution and delivery of this Official Statement has been duly authorized by the Authority.

CONTRA COSTA TRANSPORTATION AUTHORITY

By: /s/ Robert K. McCleary
Executive Director

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APPENDIX A

CONTRA COSTA TRANSPORTATION AUTHORITY AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2007 AND 2008

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CONTRA COSTA
TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Authority Board
Contra Costa Transportation Authority
Pleasant Hill, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Contra Costa Transportation Authority, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2007, and the respective changes in the financial position and cash flows, and the budgetary comparisons included as part of the basic financial statements, 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 a report dated October 12, 2007 on our consideration of the Authority's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 the Authority's basic financial statements. The combining financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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.

Maze & Associates

October 12, 2007

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CONTRA COSTA TRANSPORTATION AUTHORITY
Management Discussion and Analysis
For the Year Ended June 30, 2007

The Contra Costa Transportation Authority's financial statements for the year ended June 30, 2007 are prepared in accordance with all Governmental Accounting Standards Board pronouncements including Statement Number 34 (GASB 34).

The basic financial statements for the year ended June 30, 2007, contain the following elements:

A) Management Discussion and Analysis (MD&A), a narrative overview and summary analysis of the financial activities of the Authority for the year ended June 30, 2007.

B) Authority-wide financial statements including a Statement of Net Assets, and a Statement of Activities. The Statement of Net Assets presents information on all of the Authority's assets and liabilities; the Authority's net assets are the difference of assets minus liabilities. The Statement of Activities summarizes how the Authority's net assets have changed during the year on a "full accrual" basis.

C) Fund financial statements show information in the traditional "modified-accrual" governmental fund-based reporting format, corresponding to the manner in which financial activities are required to appear in the Authority's general ledger. While the fund statements in this report present major funds separately, all other funds are presented in aggregate (combined as "non-major funds"). A budget-to-actual comparison is presented for the General Fund, the Measure J Fund, and the Streets and Roads Special Revenue Fund.

Summary of Financial Highlights for the Year Ended June 30, 2007

- The Authority-wide Statements, the Statement of Net Assets and the Statement of Activities, show that the assets of the Authority exceeded its liabilities by $3.524 million for the year ended June 30, 2007. A major factor to consider when reviewing the Statement of Net Assets is that the Authority does not hold or retain title for the projects it constructs. Furthermore, a considerable amount of debt financing has been used to accelerate such projects for the benefit Contra Costa residents and taxpayers. The reporting of this debt, without having a corresponding asset, can thereby result in a negative net asset position.

  In the prior fiscal year, the negative net assets were $19.965 million. The negative net assets position has changed as debt principal scheduled for payment during the year was paid during FY 2006-07. The outstanding Authority debt as of June 30, 2007 is $63.430 million versus $92.880 million as of June 30, 2006. No corresponding asset exists on the Authority's ledger for this long term debt. Other agencies, such as Caltrans, BART, Contra Costa County, or the cities within Contra Costa, hold title to the transportation assets built or improved by Measure C financing. In fact, as of June 30, 2007, the Authority had spent $661.4 million on transportation infrastructure improvements within Contra Costa, on assets that are owned by, and shown on the financial statements of, other public agencies. An additional $260.6 million to date has been expended by the Authority for the established Measure C programs: Local Street Maintenance and Improvement, Carpool/Vanpool, Bus Transit, and Paratransit.

- Total assets amount to $110.494 million, consisting primarily of cash and investments amounting to $94.246 million, receivables due from others amounting to $16.166 million, and capital assets (net of depreciation) amounting to $0.082 million. Total assets increased by $12.166 million from the prior year, due mainly to higher cash balances.

- Liabilities totaled $106.970 million, consisting of $63.430 million in long-term debt, and other payables and liabilities of $43.540 million. Liabilities decreased $11.323 million from the prior year due to debt retirement.

- Sales tax revenues of $75.738 million were received for the fiscal year ended June 30, 2007, an increase of $1.062 million (+1.42%) from the prior year. Sales tax revenues accounted for 78% of all of the revenues ($96.513 million) received by the Authority.

- Total expenses including interest on long-term debt (but not the principal repayment) were $73.024 million.

- The Authority's net assets increased $23.489 million during the year ended June 30, 2007, due primarily to the sales tax revenues received during the year that were used to repay long-term bond principal in the amount of $29.450 million (not shown on the GASB 34 basic financial statements), decreasing liabilities and thus increasing net assets.

- During fiscal year ended June 30, 2006, a Measure J fund was established to record Measure J project and financing activity. In November 2004, Contra Costa voters approved Measure J, a 25-year extension of the county-wide half-cent sales tax. The Authority is the implementing agency for both Measure C and Measure J. Selected Measure J project expenditures have commenced and are being funded by advances from Measure C and a $43.9 million Commercial Paper borrowing. Although the Commercial Paper transaction closed on August 3, 2007, accrued project expenditures for the State Route 4 East Bypass segments 1 & 3 were included in expenditures for the fiscal year ended June 30, 2007. This timing difference between expenditure and the receipt of the Commercial Paper proceeds produced a negative change in fund balance of $15.907 million.

<u>Background and Supporting Information</u>

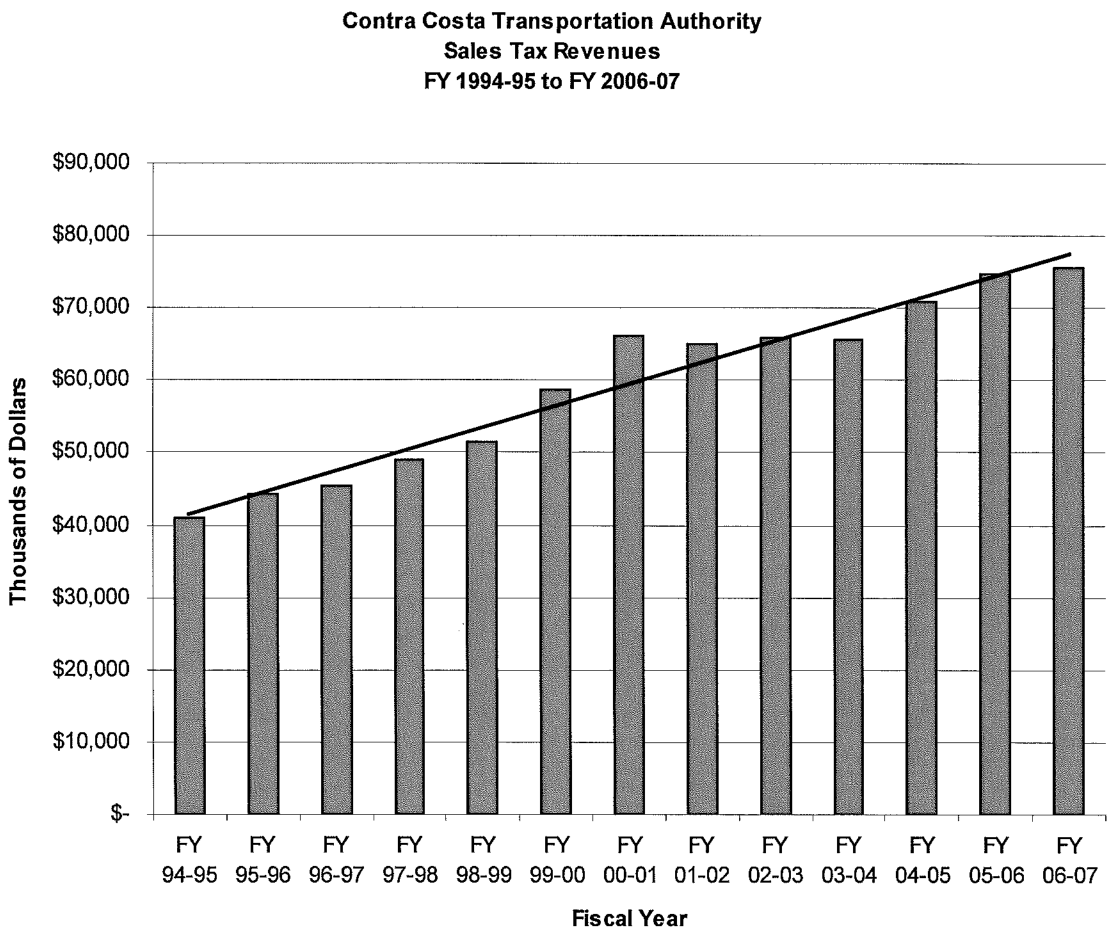
Organization. The Contra Costa Transportation Authority is a government special district established under Division 19 of the California Public Utilities Code Section 180000 et seq., pursuant to Contra Costa Ordinance 88-01 (as amended by Ordinance 06-02). The Authority became effective in its current role following a ballot referendum approved by the voters of Contra Costa County on November 8, 1988. The referendum, Measure C, established a county-wide half-percent sales tax imposed effective April 1, 1989 remaining in effect through March 31, 2009. The Authority is governed by a Board of 11 members. Board Members are elected representatives of the Board of Supervisors (2), local elected representatives from the cities of each of four subregional transportation areas (2 from each subregion), and one elected representative of the Contra Costa County Conference of Mayors (1). The Authority is responsible for carrying out the provisions of Measure C, the Expenditure Plan and the Growth Management Plan.

On November 2, 2004, the voters in Contra Costa approved Measure J, extending the county-wide half-percent sales tax from April 1, 2009 (the end of the term of Measure C) through March 31, 2034. The Authority is also responsible for carrying out the provisions of Measure J, the new Expenditure Plan and the new Growth Management Plan.

Sales Tax Revenues. The Authority relies primarily on the county-wide half-cent sales tax revenues in carrying out the provisions of Measure C. In the year ended June 30, 2007, sales tax revenues were 78% of all of the revenues received by the Authority. Sales tax revenues in the year ended June 30, 2007 were $75.738 million. This is $1.062 million, or 1.42 % above the sales tax revenues received in FY 2005-06. The next few charts provide an analysis of sales tax revenues in Contra Costa.

Chart 1 shows the annual sales tax revenues received from FY 1994-95 through FY 2006-07.

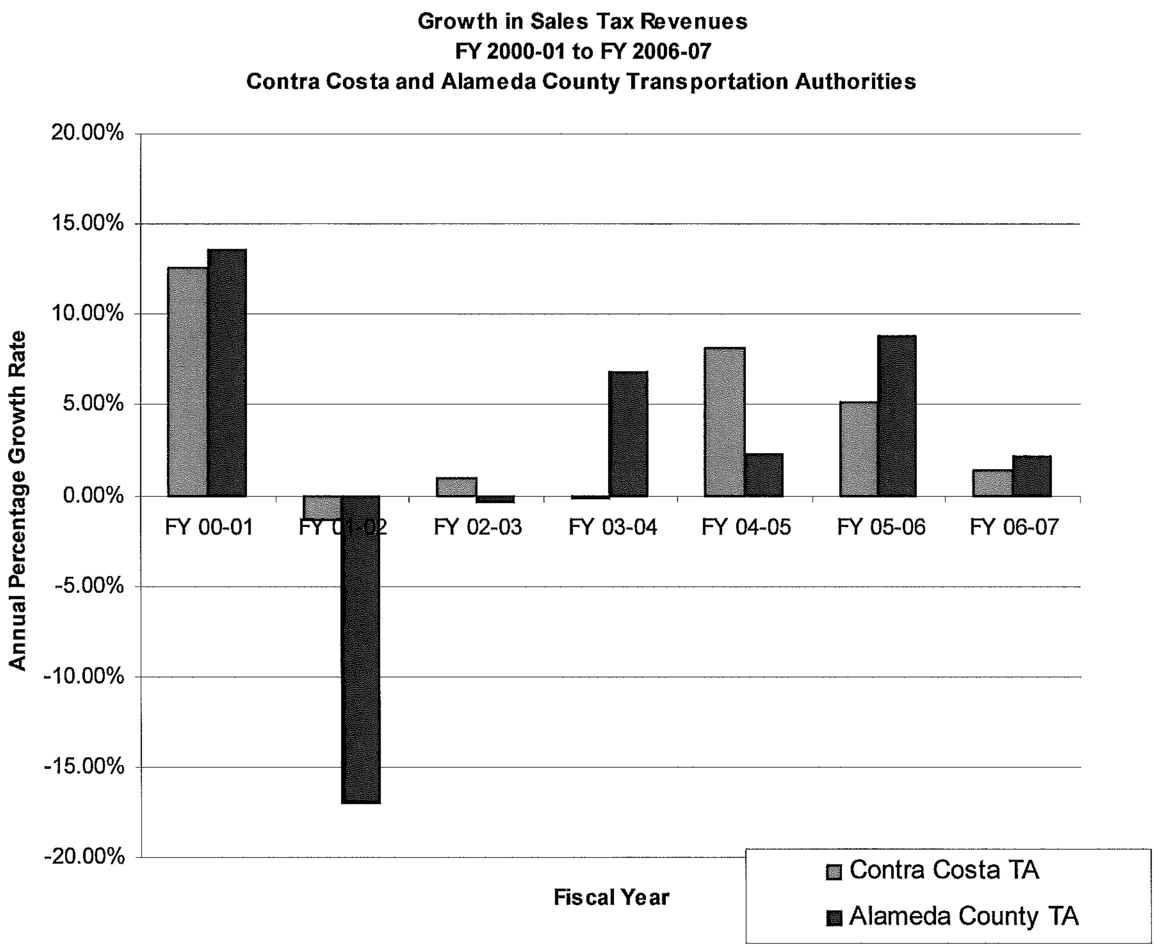
CHART 1



Source: CCTA audited financial statements.

Economic Base for Sales Tax Revenues. The economic base in Contra Costa is somewhat different than the sales tax base in adjacent Bay Area counties. In Chart 2, the different growth rates in sales tax revenues in Contra Costa and Alameda counties over the past several years is contrasted, also showing the relative stability of the sales tax base in Contra Costa.

CHART 2



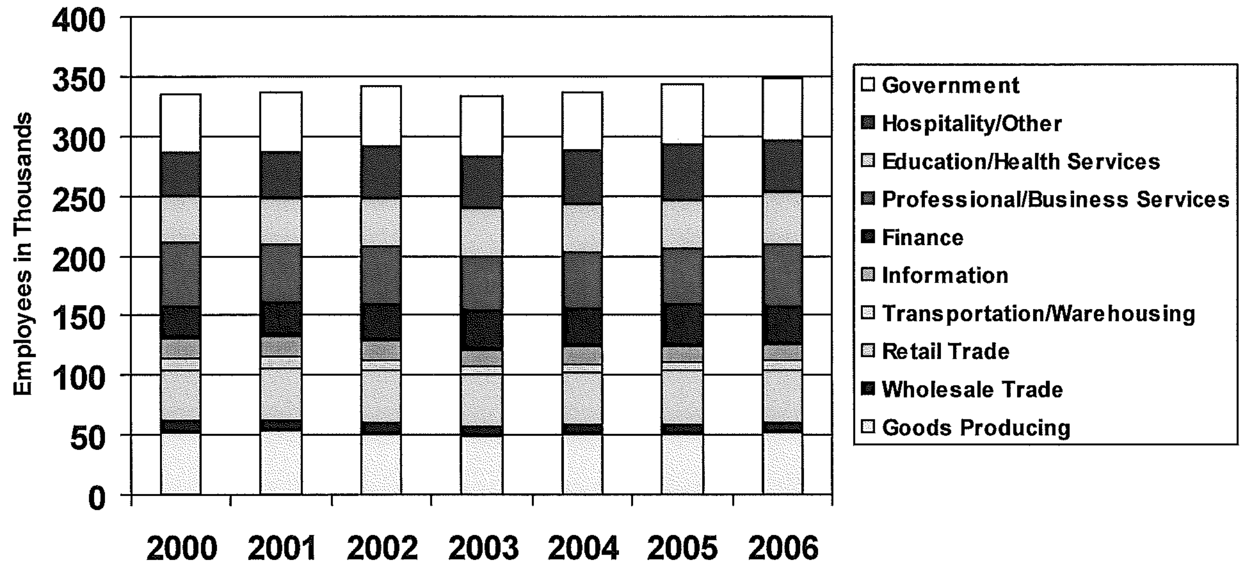
Source: County of Alameda Congestion Management Agency

Components of Taxable Transactions. Consumption-based retail sales are a dominant portion of the sales tax revenues that the Authority receives. For Contra Costa, retail sales as a percentage of total taxable transactions increased from 69.4% in 1999 to 73.8% in 2004 and continue to be the source of the majority of the Authority's sales tax revenue. During the fiscal year ended June 30, 2007, sales tax receipts from gasoline, heavy and light equipment, and building supplies increased. Sales tax decreases occurred in consumer spending for dining in restaurants and new car purchases.

Employment. Chart 3 shows the employment diversity in Contra Costa.

CHART 3

**Contra Costa Employees
Classified by Job Sector
2000 to 2006**

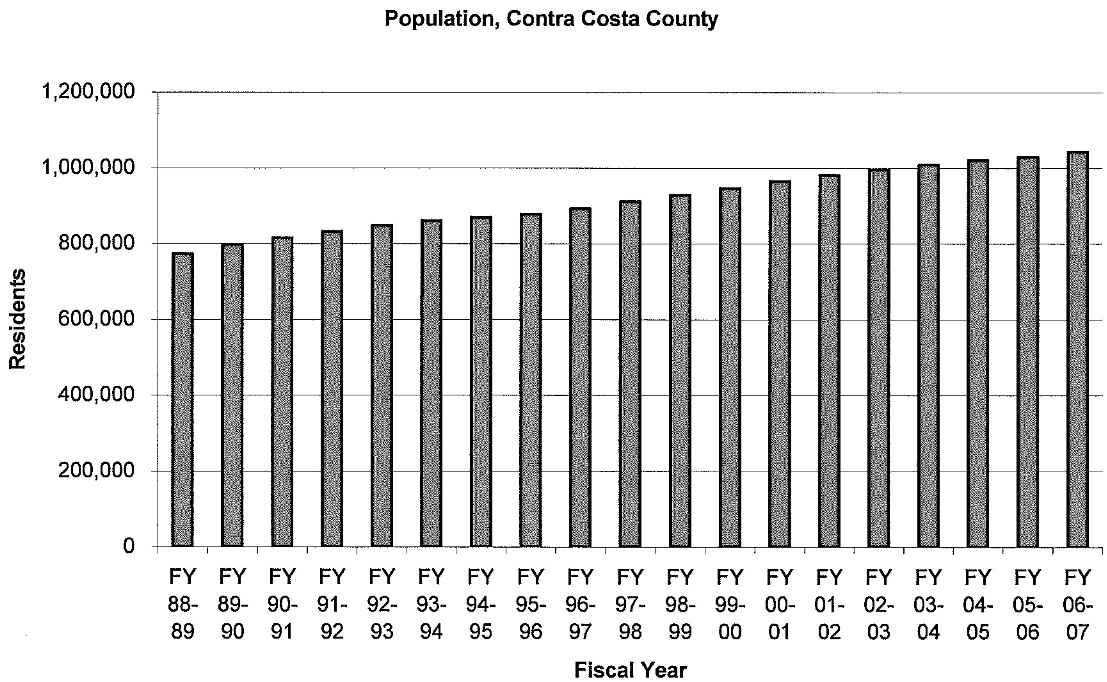


Source: State of California – Employment Development Department Industry Employment - Official Monthly Estimates (CES)

Population. Population in Contra Costa increased steadily over the period of the Measure. As of January 2007, the population increased to 1,042,000.

CHART 4

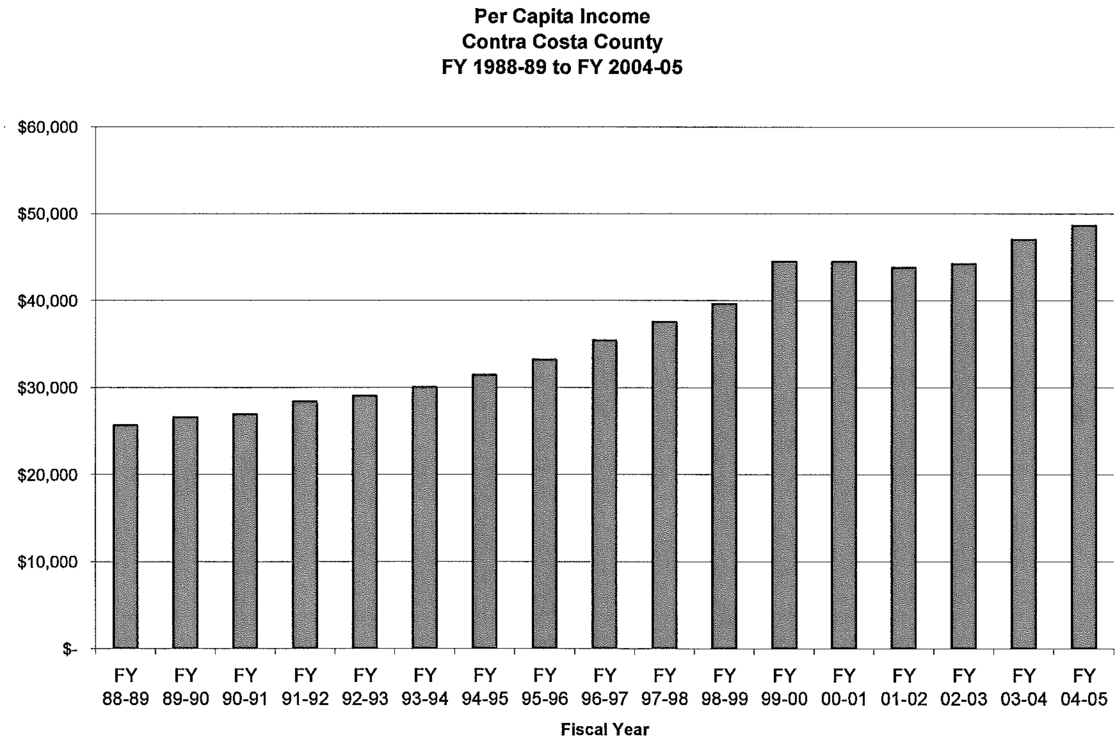
Population
Contra Costa County
FY 1988-89 to FY 2006-07



State of California – Department of Finance City County Population Estimates 2007

Per Capita Income. Per capita income has increased for most of the period since the adoption of Measure C. As Chart 5 shows, per capita income in Contra Costa increased 6.29% in FY 03–04 and 3.45% in FY 04-05 (the last year available).

CHART 5



Source: California Department of Employment Development Labor Market Information

Overview of the Presentation of the Financial Statements

The Authority's basic financial statements have five parts:

1. The Management Discussion and Analysis
2. The Basic Authority-wide Financial Statements
3. Major Fund Statements
4. Non-Major Fund Statements
5. The notes to the financial statements

1. Management Discussion and Analysis (MD&A). The MD&A must include:

- A brief explanation of the presentation that makes up the basic financial statements and the relationship of one schedule to another;
- Condensed financial information, allowing comparison of current and prior fiscal periods;
- Summary of the agency's overall financial position (Statement of Net Assets), and results of operations (Statement of Activities, or changes in net assets);
- Summary of balances and transactions of major individual funds;
- Summary of variations from the original and final amended budget for the General Fund and the Streets and Roads Fund;
- Significant capital asset and long-term debt activity;
- Any facts, decisions, or conditions known at the close of audit fieldwork that is expected to have a significant effect on the financial position or results of operations.

2. Basic Authority-wide Financial Statements. The Authority-wide financial statements are designed to provide a broader overview of the Authority's financial position, using a full accrual accounting method similar to the model used in the private sector. A main difference for the Authority, as compared to other government entities, concerns the impacts of the volume of outstanding debt and the absence of Authority title to the transportation infrastructure assets constructed with that debt.

- The Statement of Net Assets provides a broader overview of the long-term assets and liabilities of the agency. The principal owed on the bonds issued by the Authority, over all of the years the principal is to be repaid, is combined in the current year statements as an unpaid liability.

- The Statement of Net Assets includes an element showing the value of depreciated capital equipment and infrastructure. For the Authority, this is a small number, since other agencies hold title to the transportation projects that the Authority funds.

- The consequent negative equity position is the result of Authority borrowing to construct projects, on behalf of Contra Costa residents and taxpayers, transportation infrastructure assets that are owned by other public agencies.

Table 1 compares features of the government-wide financial statements and the traditional governmental fund accounting financial statements.

Table 1

Comparison of Qualities of the Government-Wide Financial Statements
Compared to Financial Statements Prepared Under Traditional Governmental Fund Accounting

Quality	Government-Wide Financial Statements	Government Fund Accounting Financial Statements
Scope	Entire agency	Activities of the agency that are not proprietary or fiduciary
Required Statements	• Statement of Net Assets • Statement of Activities (government-wide)	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance (for each individual fund)
Basis of Accounting, Measurement Focus	• Full accrual accounting, • Economic resources focus	• Modified accrual accounting, • Focus on current financial resources

The **<u>Statement of Net Assets</u>** summarizes the Authority's assets and liabilities, with the difference reported as net assets (rather than equity). The Statement of Net Assets is designed to provide information about the financial position of the Authority as a whole, including all of its capital assets and long-term liabilities, on a full accrual basis of accounting similar to the accounting model used by private sector firms. Table 2 summarizes the net assets of governmental activities for the years ended June 3, 2007, June 30, 2006, and June 30, 2005.

Table 2
Statement of Net Assets
(In Thousands)

	Governmental Activities For the Year Ended:		
	June 30, 2007	June 30, 2006	June 30, 2005
ASSETS			
Restricted cash and investments	$ 94,246	$ 83,652	$ 84,051
Receivables	16,166	14,613	12,537
Capital assets	82	63	69
Total assets	110,494	98,328	96,657
LIABILITIES			
Long-term debt	63,430	92,880	120,865
Other liabilities	43,540	25,413	26,574
Total liabilities	106,970	118,293	147,439
NET ASSETS			
Invested in capital assets, net of related debt	82	63	69
Total restricted net assets	85,374	76,620	71,905
Unrestricted net assets (deficit)	(81,932)	(96,648)	(122,756)
Total net assets (deficit)	$ 3,524	$ (19,965)	$ (50,782)

Cash and Investments at June 30, 2007 consists of investments in the County Treasurer's Investment Pool ($8.143 million), the State Local Agency Investment Fund ($22.987 million), Federal Agency securities ($29.574 million), California Asset Management Program ($11.318 million), money market funds with trustee ($3.214 million), guaranteed investment contract ($2.513 million), U.S. Treasury Notes ($4.983 million), medium term corporate notes ($4.587 million), commercial paper ($6.439 million), and cash in the bank and with the trustee ($0.488 million). Of these cash and investments, $16.810 million are debt service reserves, and $77.436 million are available for operations. (Details of the composition and categorization of cash and investments may be found in Note 3 to the basic financial statements.)

Capital assets. For the year ended June 30, 2007, the total capital asset value was $0.082 million. This includes $0.082 million in office leasehold improvements and $0.092 million in office equipment (including computers and furniture), minus accumulated depreciation of $0.049 million for leasehold improvements and $0.043 million for office equipment. Though working on a number of large transportation projects during the year, the Authority holds title to no other capital assets. (For additional information please see Note 5.)

Long-term debt. The Authority currently has outstanding debt on three separate bond issues: referred to as the 1993 Bonds, the 2000 Bonds, and the 2002 Bonds. The outstanding principal balances owed are as follows (in thousands of dollars):

1993 Bond	$ 38,015
2000 Bond	10,480
2002 Bond	14,935
Total	$ 63,430

The 1993 Bonds were originally a variable rate issue of $230 million. This was converted to a fixed rate schedule in 1996. In the year ended June 30, 1993, the advance refunding of the 1991 Bonds (by placing in escrow sufficient funds for repayment of the debt) led to the consideration of the 1991 Bond issue as defeased.

The 2002 Bond was issued to refund the 1995 Bond debt (principal payable after 2005). In July 2002, the Authority issued the 2002 Series A Refunding Bonds to refund $28.015 million of the principal amount of the prior 1995 Series A Bonds scheduled to mature after March 1, 2005. On March 1, 2005, all of the outstanding amounts of the 1995 Bonds were called. No principal or interest remains to be paid on the 1995 Bonds, and all Trustee accounts for the 1995 Bonds have been closed.

The 2000 Bonds are a variable rate issue of $25 million that is subordinate to the other Authority debt issues. At June 30, 2007, the variable interest rate was 3.91% including financing fees (3.63% borrowing rate + 0.28% financing fees). Interest payments on the 2000 bonds are made monthly. Principal payments on the 2000 Bonds are made in October of each year, from 2004 to 2008.

Interest payments on the 1993 Bonds and 2002 Bonds are made in March and September of each year. Principal payments on the 1993 Bonds and 2002 Bonds are made in March of each year.

In FY 2005-06, the Authority entered into a financing arrangement involving interest rate swaps with Bank of America, N.A., and Merrill Lynch Capital Services, Inc. This enables the Authority to lock in a favorable fixed interest rate of 3.653% for $300 million in bonds expected to be issued in 2009, maturing in 2034. AMBAC Assurance Corporation provided swap insurance, a forward commitment for bond insurance, and a reserve fund surety bond in connection with the financing arrangement. (Further detail on long-term debt and this financing arrangement may be found in Note 6 to the financial statements.)

The **Statement of Activities** presents information showing how the Authority's net assets have changed during the fiscal year. The Authority-wide financial statements give a report on the main functions of the Authority. The statement shows that these functions are principally supported by sales tax revenues, discussed in detail in a prior section of the MD&A.

Expenditures are categorized by the main Authority functions. These functions include transportation projects, programs, and debt service. Revenues restricted to funding of specific Authority functions are considered program revenues. All other revenues are classified as general revenues, which may be used to finance all Authority functions. Sales taxes are included in the general revenues category, along with interest earnings on investments. Table 3 is the Statement of Activities, or the change in net assets of governmental activities, for the years ended June 30, 2007, June 30, 2006, and June 30, 2005.

Table 3
Statement of Activities
(In Thousands)

	Governmental Activities For the Year Ended: June 30, 2007	June 30, 2006	June 30, 2005
Revenues			
General revenues			
Sales taxes	$ 75,738	$ 74,676	$ 71,014
Other general revenues	4,787	3,686	1,576
Program revenues			
Operating grants and contributions	13,479	5,727	2,911
Capital grants	2,509	6,050	5,087
Total revenues	$ 96,513	$ 90,139	$ 80,588
Expenses			
Administration	1,954	1,792	2,289
Project management	818	730	676
Programs	20,954	19,997	18,923
Projects	42,156	26,802	19,372
Regional planning	597	371	595
Congestion management	655	535	494
Transportation demand management	1,963	913	1,395
Transportation planning land use solutions	65		
Debt service interest and related fees	3,862	8,182	6,679
Total expenses	$ 73,024	$ 59,322	$ 50,423
Change in Net Assets	23,489	30,817	30,165
Net Asset - (deficit) Beginning	(19,965)	(50,782)	(80,947)
Net Asset - (deficit) Ending	$ 3,524	$ (19,965)	$ (50,782)

The **Statement of Activities** provides information about the Authority's revenues and expenses on the full accrual basis, with an emphasis on measuring the net revenues or expenses for each of the Authority's main activities. The Statement explains the change in net assets for a given year. All of the Authority activities are governmental type activities.

Sales tax revenues are the largest revenue source amounting to $75.738 million, up 1.42% from $74.676 million for the preceding year. Sales tax revenues are general revenues, available to all Authority purposes, and are about 78% of all Authority revenues for the year ended June 30, 2007. Investment earnings and other miscellaneous revenues are also general revenues.

Program revenues represent $15.988 million or about 16.6% of total revenues. Capital grants decreased by $3.541 million from last year. Operating grants increased $7.752 million from last year. The largest source of operating grant revenues in the year ended June 30, 2007, was the State Traffic Congestion Relief Program (TCRP) revenue amounting to $5.131 million which was an increase of $1.902 million from the previous fiscal year. Regional Measure 2 (RM2) grants increased $3.365 million to $5.224 million because of increased billings for the Caldecott Tunnel and eBART. Operating grants and contributions increased to $13.479 million in the year ended June 30, 2007.

Expenses, including depreciation, are classified by function. A brief description of activity within each function is as follows:

- The **Administration** function includes tasks and costs related to the overall operation and management of the Authority. Office expenses including rents and leases, office supplies, and equipment, and general service contacts are also charged to the Administration category. Administration expenses increased $.162 million from the fiscal year ending June 30, 2006, because three new positions were filled, additional office space was rented and the balance of the STMP fees was sent to WCCTAC when it assumed responsibility for the program. As a note, the Administration function includes salaries and benefits, as well as services, supplies, and capital outlay. Administrative salaries and benefits are 0.81% of sales tax revenues in the year ended June 30, 2007, less than the 1% limitation.

- **Project management** includes tasks and costs related to the oversight of Measure C projects such as the widening of State Route 4 East, e-BART, the preliminary planning and engineering work on the Caldecott Tunnel 4th Bore project, and auxiliary lane additions and improvements along the I-680 corridor.

- **Programs** include the expenditures related to Local Street Maintenance and Improvement, Bus Transit, Paratransit, and Carpool/Vanpool. These 'Programs' were established in Measure C. The base level Program distributions to local jurisdictions and other public agencies total 26.6% of annual sales tax revenues. The expenditures for programs are slightly higher than this percentage for the year ended June 30, 2007 due to the distribution of prior year accumulated reserves.

- **Projects** expenditures include annual project expenses, construction contract costs, engineering design and management contract costs, and attorney fees for Measure C projects in the current year of the Authority Strategic Plan. Project expenditures are further categorized by Highways and Arterials, Transit, and Trail projects. Project costs in the year ended June 30, 2007 are $15.354 million more than the project costs for the year ended June 30, 2006. The major expenditures in the year were for the SR 4 East corridor projects and the Caldecott Tunnel 4th Bore project. SR 4 East projects included expenditures from Measure C and Measure J.

- The **Regional Planning** function includes tasks and costs related to implementation of the growth management plan. This function also includes regional transportation planning activities, and the development and maintenance of the county-wide travel demand models. Costs increased because a new staff member was added and because of increased activity on the 2008 County Transportation Plan. Additionally, $97 thousand was provided to Alameda County Transportation Agency for the I-80 Systems Engineering Management Plan (SEMP).

- **Congestion Management** includes activities related to the mandated Congestion Management Plan (CMP), such as monitoring of compliance with established standards. The cost of assisting local jurisdictions with funding applications for state and federal funds is also charged to this organizational unit. Salary costs increased by $171 thousand primarily because of increased salary expenses from the Projects and a new staff member. Project Salary expenses are reimbursable from STP funds.

- The **Transportation Demand Management** function includes the distribution of funds for ridesharing and the implementation of other trip reduction strategies such as the carpool and vanpool incentive programs and the guaranteed ride home program. Expenditures for the fiscal year ended June 30, 2007 increased $1.050 million over the previous fiscal year. Increases in expenditures are attributable to increased CMAQ program expenditures and increased usage for trip reduction programs. Successful marketing of the carpool and guaranteed ride home programs resulted in greater utilization. During the MacArthur Maze reconstruction, carpool and vanpool program usage increased. Additionally, after a salary survey, WCCTAC salaries increased.

- **Transportation Planning Land Use Solutions** is a new program that provides funding to assist local jurisdictions in developing long-range plans for Transportation Oriented Development projects. The program is funded by MTC through CMAQ/STP funds.

- **Debt Service** is another category of expenses. Since the Statement of Activities is on a full accrual basis, only interest costs and related fees are shown in the basic financial statements. The principal repayment is not shown as an expenditure line item. The principal owed is incorporated into the beginning Net Assets figure. The decrease in debt service expenses in the Statement of Activities is due to the structure of the debt agreements and to the decrease in interest payments on the (variable rate) 2000 Bonds as compared to the prior year.

The **Change in Net Assets** figure is the revenues minus the expenditures. During the year ended June 30, 2007, the Authority realized an increase in Net Assets of $23.489 million. This increase resulted primarily from the tax revenues that were used during the year to retire debt. As expected sales taxes received were used to retire debt, and liabilities have been reduced and are now less than assets. In the year ended June 30, 2007, the Authority had expenditures of $29.450 million to repay bond principal, which are not shown otherwise on the mandated statements but are described in the notes to the financial statements.

3. *Major Fund Financial Statements, and*
4. *Non-Major Fund Financial Statements.*

These statements are more familiar to the reviewers of past Authority financial statements. The Authority General Ledger is maintained on a standard government fund accounting, modified accrual basis. This basis is required to ensure compliance with finance-related legal standards. The perspective of a fund-based financial statement is narrower than Authority-wide GASB 34 statements, with a focus on spendable assets and short-term liabilities rather than on cash flows in future years. The focus of these fund statements is now on major funds. The General Fund is always a major fund, and the Measure J, Streets and Roads Fund and all Debt Service Funds are also Major Funds. Budget variances are also discussed. Discussion of the Major Fund Statements is as follows:

<u>General Fund</u>

General Fund's ending **fund balance** was $67.275 million as of June 30, 2007 which represents an increase of $8.887 million for the year.

Sales tax revenues received in the year ended June 30, 2007 were $1.737 million below the final revised budget and $1.062 million above sales tax revenue for last year. A discussion of sales tax revenues as the major revenue source is contained at the beginning of this MD&A.

Investment income was $4.560 million for the year ended June 30, 2007 which was a $1.572 million increase over the year ended June 30, 2006. Higher cash balances and short term interest rates increased during the year contributing to improvements in investment income. The Authority's Investment Policy remains significantly more conservative than permissible by law.

Project expenditures are categorized into a) highways and arterials; b) transit; and c) trails projects. Project expenditures in the year ended June 30, 2007 were $15.354 million above the expenditures in the prior year, but $4.375 million under budget for the year ended June 30, 2007.

The major reason that expenditures increased from FY 2005-06 to FY 2006-07 is the increase in the work on the Caldecott Tunnel (from $5.2 million to $8.6 million), the work on the I-680 Auxiliary Lanes project ($2.2 million to $3.5 million), and the work on SR4 East ($2.2 million to $3.5 million). In April 2007, the Authority Board approved the initiation of a Commercial Paper Program to advance certain approved Measure J projects. The greatest increase in project expenditures occurred when Measure J East County Corridor SR 4 East Bypass costs of $15 million were accrued during the fiscal year.

Project variances in comparison to budget occurred due to delays in some projects and accelerations in others. The I-680 Corridor project was $3.8 million under budget because certain projects including Alhambra Widening, Commerce Avenue Extension and Pacheco Blvd. Widening are progressing slower than anticipated. Route 4 East projects and BART Transit Projects are $1.9 million under budget when combined together. Individual projects, however, contained variances between budget and actual due to a misallocation of the midyear budget. Expenditures for Route 4 East projects include expenses that are partially allocated to BART and the Regional Commuterway by an agreed upon amount. Thus, the net variance of $1.9 million is because some activities for the Route 4 East Widening Project are proceeding at a slower pace.

The Caldecott Tunnel was $2.2 million over budget because the level of effort was underestimated in the midyear budget. The environmental document was being finalized and advanced preliminary design was underway. Additional and unanticipated services were added in the latter half of the year.

<u>Streets and Roads Fund</u>

Transfers from the General Fund for current year sales tax revenues allocable to local jurisdictions amounted to $13.633 million in the fiscal year ended June 30, 2007. This amount, along with prior year undisbursed funds, were held in cash and are expected to be distributed upon completion and approval of the growth management checklist (now on a two-year cycle) and subsequent directions to disburse the funds. Disbursements are 18% of sales tax.

Debt Service Funds

During the year ended June 30, 2007, the Authority repaid $29.450 million in scheduled principal retirements.

5. *Notes to the Basic Financial Statements.* The notes provide additional information that is important to a full understanding of the data provided in the Authority-wide, and the traditional fund-based, financial statements. These are contained on the attached reports.

There were no facts, decisions, or conditions known at the close of fieldwork expected to have a significant effect on the financial position or results of operations.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Authority. Questions concerning information provided in this report, or any requests for additional financial information should be addressed to Randall Carlton of the Contra Costa Transportation Authority, 3478 Buskirk Ave., Suite 100, Pleasant Hill, CA 94523.

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets reports the difference between the Authority's total assets and the Authority's total liabilities, including all the Authority's capital assets and all its long-term debt. The Statement of Net Assets presents information similar to the traditional balance sheet format, but presents it in a way that focuses the reader on the composition of the Authority's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the Authority's Governmental Activities in a single column. The Authority's Governmental Activities include the activities of its all of its governmental funds, capital assets and debt.

The Statement of Activities reports increases and decreases in the Authority's net assets. It is also prepared on the full accrual basis, which means it includes all the Authority's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the Authority's expenses listed by program. Program revenues—that is, revenues that are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Authority's general revenues are then listed in the Governmental Activities column, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements.*

CONTRA COSTA TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2007
(In thousands)

	Governmental Activities
ASSETS	
Restricted cash and investments (Note 3)	$94,246
Receivables:	
Sales tax	12,063
Interest	905
Intergovernmental	3,198
Capital assets, net of accumulated depreciation (Note 5)	82
Total assets	110,494
LIABILITIES	
Accounts payable	41,207
Accrued employee benefits	414
Interest payable	1,919
Long term debt (Note 6):	
Due within one year	30,950
Due in more than one year	32,480
Total liabilities	106,970
NET ASSETS (Note 10)	
Invested in capital assets, net of related debt (Note 5)	82
Restricted for:	
Transportation projects and programs	67,327
Debt service	16,810
Total restricted net assets	84,137
Unrestricted net assets (deficit)	(80,695)
Total net assets (deficit)	$3,524

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

		Program Revenues		Net (Expense) Revenue and Change in Net Assets
Functions/Programs	Expenses	Operating Grants and Contributions	Capital Grants	Governmental Activities
Governmental Activities:				
Administration	$1,954			($1,954)
Project management	818			(818)
Programs	20,954			(20,954)
Transportation projects	42,156	$138	$2,509	(39,509)
Regional planning	597	11,618		11,021
Congestion management	655	77		(578)
Transportation demand management	1,963	1,646		(317)
Transportation planning land use solutions:	65			(65)
Interest and related fees	3,862			(3,862)
Total Governmental Activities	$73,024	$13,479	$2,509	(57,036)
General revenues:				
Sales taxes				75,738
Investment income				4,560
Miscellaneous				227
Total general revenues				80,525
Change in Net Assets				23,489
Net Asset-(deficit) Beginning				(19,965)
Net Assets-Ending				$3,524

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

The Fund Financial Statements are presented by individual major funds, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the Authority for fiscal year 2007. Individual non-major funds may be found in the Combining Financial Statement section.

GENERAL FUND

The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. All sales tax revenues are recorded in the General Fund. All intergovernmental revenue is recorded in the General Fund, except for those restricted funds required to be recorded in Special Revenue Funds and the Measure J Fund. Transfers of sales tax revenues to Special Revenue Funds are made in accordance with the provisions of Measure C as discussed below. The Authority also transfers sales tax revenues to Debt Service Funds, on a monthly basis, to cover interest and principal coming due. General Fund expenditures include salaries and benefits of the Authority's staff. Salaries and benefits for administration are limited by Measure C (as defined) to one percent of the sales tax revenue on an annual basis.

STREETS AND ROADS SPECIAL REVENUE FUND

This Fund is used by the Authority to account for the accumulation of resources required to be allocated to local cities and the County for local transportation improvements, including streets and roads. Monies are disbursed to the local agencies upon compliance with certain provisions included in Measure C. Under the provisions of Measure C and policies adopted by the Authority, 18% of net sales tax revenues are to be used for local street maintenance and improvements.

MEASURE J FUND

In November 2004, the voters in Contra Costa passed Measure J, an extension of the county-wide half-percent sales tax with a 71% approval rate. This extension will begin on April 1, 2009 and will end on March 31, 2034. The Authority is responsible for carrying out the provisions of Measure J. The Measure J Fund was established to record financial activities associated with the projects and programs in the Measure J expenditure plan.

DEBT SERVICE FUNDS

These funds account for resources used to service the Authority's governmental long-term debt.

CONTRA COSTA TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007
(in thousands)

	General Fund Fund	Streets and Roads Fund	Measure J Fund	1993 Debt Service Fund	2000 Debt Service Fund	2002 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Restricted cash and investments (Note 3)	$57,958	$16,150		$6,973	$7,172	$2,665	$2,428	$93,346
Receivables:								
Sales tax	12,063							12,063
Interest	887						18	905
Intergovernmental	3,154		$44					3,198
Due from other funds (Note 4A)	1,071							1,071
Advances to other funds (Note 4C)	2,200							2,200
Total Assets	$77,333	$16,150	$44	$6,973	$7,172	$2,665	$2,446	$112,783
LIABILITIES								
Accounts payable	$9,644	$16,150	$15,270				$143	$41,207
Due to other funds (Note 4A)			5				1,066	1,071
Accrued employee benefits	414							414
Advances from other funds (Note 4C)			2,200					2,200
Total Liabilities	10,058	16,150	17,475				1,209	44,892
FUND BALANCES								
Fund balance (Note 10)								
Reserved fund balances:								
Air quality							1,141	1,141
Transportation projects	64,315							64,315
Paratransit projects	812							812
Carpool, vanpool							96	96
Debt service				$6,973	$7,172	$2,665		16,810
Advances to Measure J Fund	2,200							2,200
Unreserved (deficit) reported in:								
General Fund	(52)							(52)
Measure J Fund			(17,431)					(17,431)
Total Fund Balances	67,275		(17,431)	6,973	7,172	2,665	1,237	67,891
Total Liabilities and Fund Balances	$77,333	$16,150	$44	$6,973	$7,172	$2,665	$2,446	

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds	82
ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance, central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.	
Cash and investments	900
LONG TERM ASSETS AND LIABILITIES	
The liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Long-term debt and interest payable	(65,349)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$3,524

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

	General Fund	Streets and Roads Fund	Measure J Fund	1993 Debt Service Fund	2000 Debt Service Fund	2002 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES								
Sales tax	$75,738							$75,738
Investment income	3,545			$494	$217	$194	$110	4,560
Federal Demonstration (SR4 E - Sommerville)	8							8
Federal Demonstration (SR4 E - SR 160)	1							1
Federal Congestion Mitigation (CMAQ)	138							138
Federal Demonstration (I - 80)			$44					44
Subregional Transportation Fees (WCCTAC)	624							624
Federal Surface Transportation Program (CMA)	595							595
Traffic Congestion Relief Program (Caldecott)	5,131							5,131
Regional Measure 2 (Caldecott)	3,800							3,800
Regional Measure 2 (e-BART)	1,424							1,424
Contributions from CMA member agencies	77							77
Motor Vehicle Registration Surcharge (TFCA)							1,346	1,346
Escrow A/C Earnings & Rental Income	300							300
TVTD 80% (Danville) I - 80	2,500							2,500
Miscellaneous revenue	2							2
Total Revenues	93,883		44	494	217	194	1,456	96,288
EXPENDITURES								
Administration:								
Salaries and employee benefits	616							616
Services, supplies and capital outlay	1,029							1,029
Contributions to other agencies	328							328
Project management:								
Salaries and employee benefits	806							806
Services, supplies and capital outlay	12							12
Programs:								
Streets and roads		$13,633						13,633
Carpools, vanpools							683	683
Paratransit	2,575							2,575
Bus transit and improvements	4,063							4,063
Transportation projects:								
Highways and arterials	17,310		15,847					33,157
Transit	8,998							8,998
Trails	1							1
Regional planning:								
Salaries and employee benefits	316							316
Services, supplies and capital outlay	164							164
Contributions to other agencies	117							117
Congestion management:								
Salaries and employee benefits	589							589
Services, supplies and capital outlay	66							66
Transportation demand management:								
Salaries and employee benefits	81							81
Services, supplies and capital outlay	3							3
Contributions to other agencies	1,879							1,879
Transportation Planning Land Use Solutions:								
Salaries and employee benefits	5							5
Contributions to other agencies	60							60
Debt Service:								
Principal				17,405	4,995	7,050		29,450
Interest and related fees			104	3,325	438	879		4,746
Total Expenditures	39,018	13,633	15,951	20,730	5,433	7,929	683	103,377
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	54,865	(13,633)	(15,907)	(20,236)	(5,216)	(7,735)	773	(7,089)
OTHER FINANCING SOURCES (USES)								
Transfers in (Note 4B)	1,952	13,633		20,246	5,419	7,737	895	49,882
Transfers (out) (Note 4B)	(47,930)						(1,952)	(49,882)
Total other finance source (uses)	(45,978)	13,633		20,246	5,419	7,737	(1,057)	
NET CHANGE IN FUND BALANCES	8,887		(15,907)	10	203	2	(284)	(7,089)
BEGINNING FUND BALANCES	58,388		(1,524)	6,963	6,969	2,663	1,521	74,980
ENDING FUND BALANCES	$67,275		($17,431)	$6,973	$7,172	$2,665	$1,237	$67,891

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY

Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	($7,089)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are added back to fund balance	38
Depreciation expense is deducted from fund balance	(19)
LONG TERM DEBT PAYMENTS	
Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Fund balance is increased by the amount of debt repayment and refunding	29,450
NON-CURRENT ITEMS	
The amount below included in the Statement of Activities does not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Interest payable	884
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Assets - All Internal Service Funds	225
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$23,489

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales tax	$77,475	$77,475	$75,738	($1,737)
Investment income	1,148	2,253	3,545	1,292
Federal Demonstration (SR4 E - Sommerville)	2,600		8	8
Federal Demonstration (SR4 E - SR 160)	6,000	500	1	(499)
Federal Congestion Mitigation (CMAQ)	140	147	138	(9)
Federal Demonstration (I - 80)	300	200		(200)
Subregional Transportation Fees (WCCTAC)	50	100	624	524
Federal Surface Transportation Program (CMA)	595	1,045	595	(450)
Traffic Congestion Relief Program (Caldecott)	5,075	1,759	5,131	3,372
State Planning, Programming, and Monitoring (PPM)	107	76		(76)
Regional Measure 2 (Caldecott)	1,325	4,741	3,800	(941)
Regional Measure 2 (e-BART)	1,380	1,380	1,424	44
Regional Measure 2 (I-680 Study)	600	70		(70)
Contributions from CMA member agencies	268	268	77	(191)
Escrow A/C Earnings & Rental Income		374	300	(74)
TVTD 80% (Danville) I - 80	2,500	2,500	2,500	
City of San Pablo (I-80 Match)	250	250		(250)
Proceeds from Sale of Excess Right-of-Way	210	210		(210)
Miscellaneous revenue	100	100	2	(98)
Total Revenues	100,123	93,448	93,883	435
EXPENDITURES				
Administration:				
Salaries and employee benefits	717	632	616	16
Services, supplies and capital outlay	1,572	1,356	1,029	327
Contributions to other agencies	216	396	328	68
Project management:				
Salaries and employee benefits	968	889	806	83
Services, supplies and capital outlay	36	54	12	42
Programs:				
Paratransit	2,645	2,645	2,575	70
Bus transit and improvements	4,072	4,060	4,063	(3)
Transportation projects:				
Highways and arterials	34,773	26,525	17,310	9,215
Transit	15,732	3,732	8,998	(5,266)
Trails	1	9	1	8
Regional planning:				
Salaries and employee benefits	435	425	316	109
Services, supplies and capital outlay	690	690	164	526
Contributions to other agencies	30	113	117	(4)
Congestion management:				
Salaries and employee benefits	568	648	589	59
Services, supplies and capital outlay	280	280	66	214
Transportation demand management:				
Salaries and employee benefits	123	109	81	28
Services, supplies and capital outlay	7	7	3	4
Contributions to other agencies	1,702	1,702	1,879	(177)
Transportation Planning Land Use Solutions:				
Salaries and employee benefits	26	26	5	21
Contributions to other agencies		450	60	390
Total Expenditures	64,593	44,748	39,018	5,730
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	35,530	48,700	54,865	6,165
OTHER FINANCING SOURCES (USES)				
Transfers in	1,752	1,741	1,952	211
Transfers (out)	(48,219)	(47,883)	(47,930)	(47)
Total Other Financing Sources (Uses)	(46,467)	(46,142)	(45,978)	164
NET CHANGE IN FUND BALANCE	($10,937)	$2,558	8,887	$6,329
BEGINNING FUND BALANCE			58,388	
ENDING FUND BALANCE			$67,275	

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
STREETS AND ROADS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
EXPENDITURES				
Programs:				
Streets and roads	$13,945	$13,945	$13,633	$312
Total Expenditures	13,945	13,945	13,633	312
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,945)	(13,945)	(13,633)	312
OTHER FINANCING SOURCES (USES)				
Transfers in	13,945	13,945	13,633	(312)
Total Other Financing Sources (Uses)	13,945	13,945	13,633	(312)
NET CHANGE IN FUND BALANCE				
BEGINNING FUND BALANCE				
ENDING FUND BALANCE				

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
MEASURE J FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUE				
Federal demonstration (I-80)			$44	$44
State planning, programming, and monitoring		$31		(31)
Total revenue		31	44	13
EXPENDITURES				
Project management :				
Salaries and employee benefits		31		31
Transportation projects:				
Highways and arterials	$2,080	16,265	15,847	418
Debt Service:				
Interest and other fiscal charges			104	(104)
Total Expenditures	2,080	16,296	15,951	345
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,080)	(16,265)	(15,907)	358
NET CHANGE IN FUND BALANCE	($2,080)	($16,265)	(15,907)	$358
BEGINNING FUND BALANCE (DEFICIT)			(1,524)	
ENDING FUND BALANCE (DEFICIT)			($17,431)	

See accompanying notes to financial statements

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PROPRIETARY FUND TYPES – INTERNAL SERVICE FUND

RETIREE HEALTH BENEFITS INTERNAL SERVICE FUND

GASB rules require accounting for post-employment benefits. The Retiree Health Care Fund was established to record the amounts set aside by the Authority to fund health care costs for Authority retirees.

CONTRA COSTA TRANSPORTATION AUTHORITY
RETIREE HEALTH BENEFITS
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2007
(in thousands)

ASSETS	
Current Assets:	
Restricted cash and investments (Note 3)	$900
Total Assets	900
NET ASSETS	
Unreserved - Designated for	
Other Post Employment Benefits	900
Total Net Assets	$900

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
RETIREE HEALTH BENEFITS
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

OPERATING REVENUES	
Interdepartmental charges	$225
Total Operating Revenues	225
Change in Net Assets	225
BEGINNING NET ASSETS	675
ENDING NET ASSETS	$900

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
RETIREE HEALTH BENEFITS
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Interdepartmental receipts	$225
Cash Flows from Operating Activities	225
Net Cash Flows	225
Cash and investments at beginning of period	675
Cash and investments at end of period	$900
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	$225
Cash Flows from Operating Activities	$225

See accompanying notes to financial statements

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Contra Costa Transportation Authority (the Authority) was established in 1988 when Contra Costa voters passed a 20-year, one-half of one percent (½%) sales tax for specified transportation purposes. In 2004, the voters of Contra Costa extended the one-half of one percent countywide transportation sales tax through 2034.

Measure C, passed in November 1988, officially authorized the imposition of the ½% countywide sales tax, the proceeds of which are principally reserved for highway improvements, local transportation improvements, transit funding, growth management, and regional planning purposes in the County. The Measure C ½% sales tax commenced April 1, 1989 and will expire on March 31, 2009. The Measure J ½% sales tax will begin April 1, 2009 and remain in effect until March 31, 2034.

The sales tax revenues received by the Authority under Measure C, after deducting certain administrative costs, are to be spent for programs as set forth in the expenditure plan included in Measure C. All revenues, including interest and other revenues, not designated by Measure C for a specific purpose (see Sales Taxes discussion below) are to be spent on capital projects set forth in the expenditure plan. The Authority may, under certain circumstances, amend the original expenditure plan. However, any amendments must be for other transportation related projects.

The Authority has been designated by the cities in Contra Costa County and the County (collectively, the Members) as the Congestion Management Agency (CMA) for the County pursuant to provisions of Senate Constitutional Amendment 1, approved by the voters of the State in June 1990, thereby being charged with the statutory obligation to carry out congestion management responsibilities for Contra Costa County. In 1992, the Authority amended Measure C by ordinance to permit expenditures associated with the CMA to be eligible General Fund expenditures under Measure C, as defined in the expenditure plan. The CMA Members are required to reimburse the Authority for expenditures as approved by the Board.

The Authority has also been designated by the CMA Members to be the recipient of funds generated from the motor vehicle registrations surcharge collected by the Bay Area Air Quality Management District (the Air Quality District) for programs to reduce air pollution from motor vehicles. The Authority anticipates that all expenditures incurred for the Air Quality District program will be reimbursed by the Air Quality District.

The basic financial statements of the Authority include all of its financial activities. The Authority is the sole independent entity responsible for receiving and allocating funds necessary to complete the programs and is governed by an eleven-member board comprised of representatives who are elected officials from the County and local cities.

The financial statements and accounting policies of the Authority conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below.

B. Sales Taxes

The Authority recognizes taxpayer-assessed revenues such as Sales Taxes, net of estimated refunds, in the accounting period in which they become susceptible to accrual, which means when the revenues become both measurable and available to finance expenditures of the current fiscal period.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales tax receivables represent sales tax receipts in the two months subsequent to the Authority's fiscal year-end relating to the prior year's sales activity. The Authority has contracted with the California State Board of Equalization for collection and distribution of the ½% sales tax. The Board of Equalization receives an administrative fee for providing this service. The Authority records all sales tax revenues net of such fees in the General Fund.

Under the provisions of Measure C and policies adopted by the Authority, portions of net sales taxes are required to be expended on certain programs and activities. Specifically, 18% of net sales tax revenues are to be used for local street maintenance and improvements and 1% is to be used for commuter alternative programs, including carpools, vanpools and park and ride lots. These programs are accounted for in the Streets and Roads Special Revenue Fund and Carpool, Vanpool Special Revenue Fund, respectively. Transfers from the General Fund to the Special Revenue Funds are made in the year the related sales tax revenue is recorded.

The Authority also transfers sales tax revenues to Debt Service Funds, on a monthly basis, to cover interest and principal expenditures.

In addition, under a slightly different designation in Measure C, 4.9% of sales taxes are to be used to increase the use of public transit, and increase the efficiency and coordination among transit agencies, and 2.97% of sales tax revenues are to be used to provide improved transit service for the elderly and handicapped. These programs are accounted for in the General Fund and any fund balances remaining at year-end are reported in the General Fund as Reserved for Bus Transit and Reserved for Paratransit projects, respectively.

C. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the Authority). Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Authority. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Authority and for each function of the Authority'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 (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as non-major funds.

D. Major Funds

The Authority's major governmental funds are required to be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to ten percent of the total. The General Fund is always a major fund. The Authority has elected to treat all debt service funds as major funds.

GENERAL FUND - The *General Fund* is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. All sales tax revenues are recorded in the General Fund. All intergovernmental revenue is recorded in the General Fund, except for those restricted funds required to be recorded in Special Revenue Funds. Transfers of sales tax revenues to Special Revenue Funds are made in accordance with the provisions of Measure C as discussed above. The Authority also transfers sales tax revenues to Debt Service Funds, on a monthly basis, to cover interest and principal coming due. General Fund expenditures include salaries and benefits of the Authority's staff. Salaries and benefits for administration are limited by Measure C (as defined) to one percent of the sales tax revenue on an annual basis.

STREETS AND ROADS SPECIAL REVENUE FUND - This Fund is used by the Authority to account for the accumulation of resources required to be allocated to local cities and the County for local transportation improvements, including streets and roads. Monies are disbursed to the local agencies upon compliance with certain provisions included in Measure C.

MEASURE J FUND – In November 2004 the voters in Contra Costa passed Measure J, an extension of the county-wide half-percent sales tax. This extension will begin on April 1, 2009 and will end on March 31, 2034. The Authority is responsible for carrying out the provisions of Measure J. The Measure J (General) Fund was established to record financial activities associated with the projects and programs in the Measure J expenditure plan.

DEBT SERVICE FUNDS - These funds account for resources used to service the Authority's governmental long-term debt.

NON-MAJOR FUNDS

The Authority has other governmental funds discussed below which were determined to be non-major funds and are presented in the Supplemental Section of this report.

In addition to the Streets and Road Special Revenue Fund discussed above, other *Special Revenue Funds* are used by the Authority to account for the accumulation and expenditure of restricted resources. These Special Revenue Funds include:

The Carpool, Vanpool Special Revenue Fund which accounts for the portion of sales taxes to be used for commuter alternative programs, including carpools, vanpools and park and ride lots.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Air Quality Special Revenue Fund which accounts for funds received from the Air Quality District to be used for programs to reduce air pollution from motor vehicles. Resources are transferred to the General Fund as expended.

RETIREE HEALTH CARE INTERNAL SERVICE FUND - GASB rules require accounting for post-employment benefits. The Retiree Health Care Fund was established to record the amounts set aside by the Authority to fund future health care costs for Authority retirees.

E. Basis of Accounting

The government-wide financial statements and internal service fund statements are reported using the *economic resources measurement focus* and the full *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.

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*. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Authority may fund projects with a combination of cost-reimbursement grants, advances, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance expenditures. The Authority's strategy is to first apply restricted grant resources to such activities, followed by general revenues if necessary.

F. Return of Funds from Local Agencies

Return of funds from local agencies represents amounts determined to be owed to the Authority based on final reconciliation of project costs, or as a result of Measure C compliance audits commissioned by the Authority. There were no returns of funds from local agencies during the year ended June 30, 2007.

G. Compensated Absences

Compensated absences comprise unpaid vacation and sick leave which are accrued as earned. The Authority's liability for compensated absences is recorded in the Authority's Governmental Activities.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Use of Management Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. Rounding

All amounts included on the basic financial statements, combining statements, footnotes and schedules are presented to the nearest thousands in accordance with the Authority's policy.

J. Closed Fund

During fiscal year 2007, the Authority closed the TCRP Caldecott Tunnel Special Revenue Fund.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Executive Director or his or her designee submits a proposed operating budget to the Authority Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Prior to adoption of the final budget, public hearings are conducted to obtain taxpayer comments.

3. The budget is legally enacted by the Authority Board.

4. All budget adjustments must be approved by the Authority Board. Expenditures may not legally exceed the levels as specified in the budget control resolution.

5. Formal budgetary integration is employed as a management control device during the year for all funds.

6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Overages in any particular budget expenditures category (organizational unit) must receive an approved budget change adjustment by the Authority for the following conditions: for capital project expenditures, if expenditures are expected to exceed the budget by $10,000 or five percent, whichever is greater; for all other expenditures, if expenditures are projected to exceed the budget for the budgetary category by $5,000 or five percent, whichever is greater.

The Authority has also adopted a Strategic Plan which determines availability of funds for projects and is used as a guide for project appropriations. The plan is normally updated every two to three years, and is used in the development of the annual budget. A project management appropriation and expenditure tracking system is used for budgetary and financial control. The Authority issued the 2005 Strategic Plan in May 2005, and the most recent amendment to the Strategic Plan was adopted by the Authority in January 2007.

NOTE 3 - CASH AND INVESTMENTS

The Authority pools cash from all sources and funds except cash and investments with Trustees so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Each fund's portion of the pool is displayed on the combined balance sheet as "Restricted cash and investments". All cash and investments of the Authority are restricted as to their use.

The Authority records investment transactions on the trade date. Investments are reported at fair value. Fair value is defined as the amount that the Authority could reasonably expect to receive for an investment in a current sale between a willing buyer and seller, and is generally measured by quoted market prices. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds. Investment income from cash and investments with trustees is credited directly to the related fund.

A. *Carrying Amount and Fair Value*

Cash and investments are carried at fair value and are categorized as follows at June 30, 2007 (in thousands):

	Available for Operations	Debt Service Reserve	Total
U.S. Treasury Notes	$4,983		$4,983
U.S. Government-Sponsored Agency Securities	22,342	$7,232	29,574
Money Market Funds with Trustee			
(Investing in U.S. Treasury securities)		3,214	3,214
Medium-Term Corporate Notes	4,587		4,587
Commercial Paper	6,439		6,439
Contra Costa County Treasurer's Pool	8,143		8,143
Local Agency Investment Fund	22,987		22,987
Guaranteed Investment Contract		2,513	2,513
California Asset Management Program	7,467	3,851	11,318
Total Investments	76,948	16,810	93,758
Cash in Bank and Cash with Trustee	488		488
Total Cash and Investments	$77,436	$16,810	$94,246

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Authorized Investments by the Authority

The Authority has contracted with Public Financial Management (PFM) to serve as the Authority's investment advisor. The Authority has adopted a written Investment Policy which is more restrictive than State law as to terms of maturity, credit quality and type of investment. The Authority's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority. The following also identifies certain provisions of the Authority and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This does not address the Authority's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's Investment Policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Obligations (A)	5 years	N/A	None	None
Repurchase Agreements	90 days	N/A	None	None
Reverse Repurchase Agreements (requires Authority approval)	92 days	N/A	20% of the base value	None
State of California Obligations	5 years	Highest 2 rating categories	None	None
CA Local Agency Obligations	5 years	Highest 2 rating categories	None	None
Bankers Acceptances	180 days	Highest rating category	40%	Greater of 10% of portfolio or $1 million
Commercial Paper	270 days	A1	20%	Lesser of 10% of portfolio or $1 million
Medium Term Corporate Notes	5 years	AA	30%	Greater of 10% of portfolio or $1 million
Mortgage Pass-Through Securities	5 Years	AA	10%	None
Insured or Collateralized Bank Deposits	N/A	N/A	None	None
Negotiable Certificates of Deposit	5 years	AA	30%	Greater of 10% of portfolio or $1 million
California Local Agency Investment Fund	Upon Demand	N/A	$40,000,000 per account	$40,000,000 per account
Contra Costa County Treasurer's Pool	Upon Demand	N/A	None	None
California Asset Management Program	N/A	N/A	None	None
Money Market Mutual Funds	N/A	Highest rating category	15%	5%

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. *Authorized Investments by Debt Agreements*

The Authority is required to maintain certain amounts of cash and investments in separate accounts or with trustees under the terms of debt issues. These funds are pledged as reserves to be used if the Authority fails to meet its obligations under the debt issues.

The California Government Code requires these funds to be invested in accordance with the underlying Authority ordinance, bond indentures or State statute. The following identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Obligations (A)	5 years	N/A	None	None
Repurchase Agreements	90 days	N/A	None	None
Reverse Repurchase Agreements (requires Authority approval)	92 days	N/A	20% of the base value	None
State of California Obligations	5 years	AAA	None	None
CA Local Agency Obligations	5 years	AAA	None	None
Bankers Acceptances	180 days	N/A	40%	Greater of 10% of portfolio or $1 million
Commercial Paper	180 days	A1	20%	10% of outstanding paper
Medium Term Corporate Notes	5 years	AA	30%	Greater of 10% of portfolio or $1 million
Mortgage Pass-Through Securities	5 Years	AA	10%	None
Collateralized Bank Deposits	N/A	N/A	None	None
Negotiable Certificates of Deposit	5 years	AA	30%	Greater of 10% of portfolio or $1 million
California Local Agency Investment Fund	N/A	N/A	None	None
Contra Costa County Treasurer's Pool	N/A	N/A	None	None
California Asset Management Program	N/A	N/A	None	None
Money Market Mutual Funds	N/A	A	15%	None
Investment Agreements	N/A	Equal to Bond Ratings	None	None

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution to the Authority's investments by maturity (in thousands):

Investment Type	Less than 1 year	One to Five Years	More than Ten Years	Total
U. S. Treasury Notes	$3,493	$1,490		$4,983
U.S. Government-Sponsored Agency Securities				
Non-callable	10,175	19,399		29,574
Medium-Term Corporate Notes	3,613	974		4,587
Commercial Paper	6,439			6,439
Guaranteed Investment Contract			$2,513	2,513
Money Market Funds with Trustee	3,214			3,214
Contra Costa County Treasurer's Pool	8,143			8,143
Local Agency Investment Fund	22,987			22,987
California Asset Management Program	11,318			11,318
Total Investments	$69,382	$21,863	$2,513	93,758
Cash in Bank and Cash with Trustee				488
Total Cash and Investments				$94,246

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the Authority's investment policy, or debt agreements and the actual rating as of June 30, 2007 for each investment type (in thousands):

Investment Type	AAA	AA+	AA	AA-	A-1+	Total
U.S. Government-Sponsored Agency Securities						
Non-callable	$21,377				$8,197	$29,574
Medium-Term Corporate Notes		$1,902	$1,711	$974		4,587
Commercial Paper					6,439	6,439
Money Market Funds with Trustee	3,214					3,214
Totals	$24,591	$1,902	$1,711	$974	$14,636	43,814
Not rated:						
Guaranteed Investment Contract						2,513
Local Agency Investment Fund						22,987
California Asset Management Program						11,318
Contra Costa County Treasurer's Pool						8,143
Exempt from rating requirement:						
U.S. Treasury Notes						4,983
Total Investments						93,758
Cash in Bank and Cash with Trustee						488
Total Cash and Investments						$94,246

F. Concentration of Credit Risk

Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Entity-wide investments are as follows at June 30, 2007:

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity-wide	FHLB	U.S. Government-Sponsored Agency Securities	$7,462
	FNMA	U.S. Government-Sponsored Agency Securities	11,990
	FHLMC	U.S. Government-Sponsored Agency Securities	7,677
Major Funds:			
General Fund			
	FHLB	U.S. Government-Sponsored Agency Securities	7,462
	FNMA	U.S. Government-Sponsored Agency Securities	5,482
	FHLMC	U.S. Government-Sponsored Agency Securities	6,953
1993 Debt Service Fund	FNMA	U.S. Government-Sponsored Agency Securities	4,663
	FHLMC	U.S. Government-Sponsored Agency Securities	575
2000 Debt Service Fund	GIC	Guaranteed Investment Contract	2,513
2002 Debt Service Fund	FNMA	U.S. Government-Sponsored Agency Securities	1,846
	FHLMC	U.S. Government-Sponsored Agency Securities	149

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. *Local Authority Investment Fund (LAIF) & Contra Costa County Treasurer's Investment Pool*

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The County of Contra Costa Treasurer's Investment Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27134. The value of the pool shares in LAIF and the Contra Costa County Treasurer's Investment Pool which may be withdrawn on demand is determined on an amortized cost basis, which is not materially different than the fair value of the Authority's position in the pools.

NOTE 4 - INTERFUND TRANSACTIONS

A. *Current Interfund Balances*

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues or as a result of transactions recorded by Authority staff after the County closes the Authority's books. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. At June 30, 2007, the General Fund was owed $1,066 thousand from the Air Quality Special Revenue Fund and $5 thousand from the Measure J Special Revenue Fund.

B. *Transfers Between Funds*

With Board approval, as required under Measure C or under the terms of the Authority's debt issues, resources are transferred from one Authority fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund. Interfund transfers for the year ended June 30, 2007 were as follows (in thousands):

Fund Receiving Transfer	Fund Making Transfer	Purpose	Amount Transferred
General Fund	Air Quality Special Revenue Fund	(A)	$1,952
Special Revenue Funds:			
Street & Roads	General Fund	(B)	13,633
Carpool, Vanpool	General Fund	(C), (D)	895
Debt Service Funds:			
1993	General Fund	(E)	20,246
2000	General Fund	(E)	5,419
2002	General Fund	(E)	7,737
	Total		$49,882

Purposes of Transfers:

(A) Transfer Air Quality resources to fund programs to reduce air pollution from motor vehicles.

(B) Transfer 18% of sales tax revenues to be used for local streets and road projects.

(C) Transfer 1% of sales tax revenues to be used for commuter alternative programs, including carpools, vanpools and park and ride lots.

(D) Transfer to fund regional rideshare progam.

(E) Transfers sales tax revenues used for debt service.

NOTE 4 - INTERFUND TRANSACTIONS - Continued

C. Interfund Advance

In fiscal 2006, the Authority's General Fund advanced $1.5 million to the Measure J Fund to finance commitment and advisory fees pursuant to swap agreement commitments. During fiscal 2007, the advance was increased by $700 thousand, for a total of $2.2 million. The advance bears interest computed based on the rate earned by the Authority on its investment in the Local Authority Investment Fund (LAIF). Repayment is expected when the Authority issues the Measure J Bonds in 2009.

NOTE 5 - CAPITAL ASSETS

A. Capital Assets Contributed to Other Entities

The Authority is required to exclude from its financial statements assets contributed to and maintained by other governments or organizations. The Authority has constructed a variety of capital projects consisting of streets and road and other transportation infrastructure projects, which upon completion were "contributed" to its Members, the State, or other governments responsible for their maintenance and care. Since those other agencies maintain the contributed capital assets, the cost of those assets has been excluded from the accompanying financial statements. This concept is followed regardless of whether infrastructure is financed with revenues or long term debt. As of June 30, 2007, the Authority owed $63.4 million which has been used along with operating revenues to finance a total of $661.4 million in such infrastructure capital asset project costs since the Authority's inception.

B. Authority Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets with limited useful lives are required to be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned a useful life of three to five years for Office Equipment and ten years for Leasehold Improvements.

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. Contributions are required to be accounted for as revenues at the time the capital assets are contributed.

NOTE 5 - CAPITAL ASSETS (Continued)

The Authority's capital assets comprise the following at June 30, 2007 (in thousands):

	Balance at June 30, 2006	Additions	Balance at June 30, 2007
Cost:			
Office Equipment	$54	$38	$92
Leasehold Improvement's	82		82
Subtotal	136	38	174
Accumulated Depreciation:			
Office Equipment	(32)	(11)	(43)
Leasehold Improvement's	(41)	(8)	(49)
Subtotal	(73)	(19)	(92)
Capital Assets, net of accumulated depreciation	$63	$19	$82

NOTE 6 - LONG TERM DEBT

A. Long Term Debt Outstanding

The Authority issued the debt summarized below to finance or refinance certain infrastructure capital assets contributed to other governments (See Note 5) (in thousands).

	Balance June 30, 2006	Retirements	Balance June 30, 2007	Current Portion
1993 Series A Limited Tax Bonds, 5.5% - 6.0%, due 2009	$55,420	$17,405	$38,015	$18,465
2000 Series A Junior Lien, Sales Tax Revenue Bonds, Variable Rate, due 2009	15,475	4,995	10,480	5,155
2002 Series A Limited Tax Bonds 4%, due 2009	21,985	7,050	14,935	7,330
Long-term debt	$92,880	$29,450	$63,430	$30,950

NOTE 6 - LONG TERM DEBT (Continued)

In June 1993, the Authority issued $230 million principal amount of **1993 Series A Limited Tax Bonds**, which bore a variable interest rate to finance certain transportation projects defined in the Expenditure plan. In March 12, 1996, the Authority converted the interest rate to fixed rates. Interest payments are made semiannually on March 1 and September 1 and principal payments are made annually on March 1.

The 1993 Bonds are limited obligations of the Authority, and are payable from and secured by sales tax revenues received by the Authority.

In December 2000, the Authority issued $25 million principal amount of **2000 Series A Junior Lien Sales Tax Revenue Bonds** sponsored by the California Transit Finance Authority (CTFA) pursuant to a project financing agreement. The 2000 Bonds were issued to finance certain costs relating to the acquisition, construction, improvement and equipping of public transportation facilities. The 2000 Bonds are special obligations of the Authority, which are payable from and secured by sales tax revenue subordinated to the outstanding 1993 and 2000 Bonds. The 2000 Bonds mature serially, October 1, 2004 through October 1, 2008, and bear a variable rate of interest not to exceed 12%. At June 30, 2007 the interest rate was 3.91%.

Interest rates on the 2000 Bonds are reset periodically, using the "put" mechanism described below. The 2000 Bonds are periodically subject to repurchase at par, referred to as a "put". Once a put occurs, a remarketing agent resells the 2000 Bonds at par by setting new interest rates and repurchase dates. Acting on behalf of the Authority and other participants in the 2000 Bond issue, CTFA has obtained an irrevocable stand-by purchase agreement to be used in the event the remarketing agent is unable to resell any 2000 Bonds, and to ensure neither the Authority nor other participants will be required to repurchase the 2000 Bonds before they mature. This purchase agreement is effective through the life of the 2000 Bonds. The Authority paid $18 thousand in purchase agreement fees during the year ended June 30, 2007.

In July 2002, the Authority issued $28.765 million principal amount of **2002 Series A Refunding Bonds, (Limited Tax Bonds)**. Net proceeds amounting to $29.765 million from the 2002 Bonds plus an additional $637 thousand of 1995 Bond monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 Bonds. The 1995 Bonds were called for redemption as of June 30, 2005.

Repayments of all long-term debt obligations are funded from the general revenues of the Authority. The Authority used a 3.91% interest rate to estimate interest maturities on variable rate bonds. Annual debt service requirements, on all the above debt at June 30, 2007 are as follows (in thousands):

Year Ending June 30	Total Principal	Total Interest
2008	$30,950	$3,137
2009	32,480	1,529
	$63,430	$4,666

NOTE 6 - LONG TERM DEBT (Continued)

In fiscal 1992-1993, unspent proceeds from 1991 Series A Sales Tax Revenue Bonds (1991 Bonds) and a portion of cash on hand from the Authority were used to defease the $200 million then outstanding principal balance of the 1991 Bonds. These moneys were placed in an irrevocable escrow and used to purchase US Government securities which mature in amounts sufficient to repay the remaining debt service due on the 1991 Bonds. As a result, the 1991 Bonds are considered defeased and the escrow and 1991 Bonds $37.9 million principal outstanding at June 30, 2007, have been excluded from the Authority's financial statements.

B. Authorized Long Term Debt Commitment – Measure J Bonds

Pursuant to planning for the implementation of the 2009 Measure J sales tax continuation, the Authority identified several projects which required significant amounts of funding prior to the receipt of Measure J sales taxes. In fiscal year 2006, the Authority Board authorized agreements related the issuance of $300 million principal amount of Measure J Variable Rate Bonds to fund these projects.

C. Forward Swap Commitments

In order to protect against itself against rising interest costs on the Bonds, the Authority entered into forward commitment interest rate swap agreements with Bank of America, N.A. and Merrill Lynch Capital Services, Inc. (Counterparties). An interest rate swap is a contractual agreement whereby the parties agree to exchange cash flows over a certain period of time. Beginning in 2009, the Authority will pay a fixed rate of 3.653% to the Counterparties, which are its swap counterparties, and the Counterparties will pay a floating rate to the Authority. The floating rate is expected to approximately equal the floating rate which the Authority will pay to the holders of its floating rate bonds, to be issued in 2009. Including anticipated ongoing fees associated with the floating rate bonds to be issued in 2009, the synthetic fixed rate which the Authority will pay is considered a very favorable rate in comparison with long term interest rates.

NOTE 6 - LONG TERM DEBT (Continued)

Although the 2009 Bonds are not yet issued, the original principal amount, scheduled maturities, effective issue date and maturity date are expected to match comparable terms of the Swap agreements. A summary of the terms of the Swap agreements and authorized but unissued Bonds are presented below:

Term	Counterparty: Bank of America	Counterparty: Merrill Lynch Capital Services, Inc.	Authority Proposed and Authorized Bond Issue
Notional Amount / Proposed Par Amount	$150 million	$150 million	$300 million
Effective Date / Proposed Issuance Date	September 23, 2009	September 23, 2009	September 23, 2009
Interest Swap:			
Basis of interest payments due from Authority			
Fixed Rate on Notional Amount	3.653%	3.653%	
Basis of interest receipts due from Counterparty			
Floating Rate on Notional Amount			
% of 1 month LIBOR			
(London Interbank Offered Rate)	63.50%	63.50%	
Additional Basis Point	29 (0.29%)	29 (0.29%)	
Basis of Variable Interest on the Bonds			Basis to be determined
Termination Date/Proposed Maturity Date	March 1, 2034	March 1, 2034	March 1, 2034
Credit Rating	Aa1/AA-/AA	Aaa/AAA/AAA *	AAA **

*Under the terms of the Swap agreement, this rating relates to the Merrill Lynch Derivate Products Subsidiary.

**The Authority has obtained insurance from AMBAC for the 2009 Bonds. AMBACs credit rating as of June 30, 2007 was AAA which was reported above.

During 2004, Standard & Poor's introduced Debt Derivative Profile (DDP) scoring to provide a simple measure of the complexities of municipal debt-related derivatives by translating that exposure into an easily understandable measurement of risk and to enhance the transparency of municipal derivative structures. Scores range from a low risk score of 1 to a high risk score of 5. Although many factors are considered, scores primarily indicate an issuer's potential financial loss from debt derivatives, including swaps, due to early termination resulting from changes in credit worthiness or market conditions.

During fiscal 2005-2006, Standard & Poor's rated the Authority's Swap agreements an overall score of 1, the lowest risk score possible.

NOTE 6 - LONG TERM DEBT (Continued)

Risks associated with the Swap agreements and Bonds are summarized and discussed below:

Economic Risk - Interest rates in 2009 may be lower than the 3.653% synthetic interest rate.

Basis Risk – Floating rate receipts from the Counterparties may not correspond to or may be insufficient to cover the floating rate payments due on the Bonds. Basis risk may arise from a different methodology used to set the variable rate on the Bonds. Basis risk may also arise from variances in maturity dates and repayments of Bond principal and reductions of notional amounts on the Swap agreements.

Tax Risk - Tax risk results from uncertainty in future income tax law leading to a mismatch between the interest rate paid on the Authority's underlying Bonds and the rate received on the Swap agreements, that could be caused by a reduction in, or *elimination* of, the benefits of tax-exempt debt.

Credit (Counterparty) Risk – This is the risk that Counterparties could fail to make payments as specified under the Swap agreements. As of June 30, 2007, in the forward pre-issue period, the Swap Agreements had a positive fair market value of $10,059,652 to the Authority.

This fair market value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the Swaps.

Depending on the fair market value, the Authority could be further exposed to interest rate risk if a Counterparty defaults or if a Swap agreement is terminated. Under the terms of the Credit Support Annex (CSA), the posting of collateral by the Counterparties is a function of the credit rating of the Counterparty and threshold value. To reduce credit risk from the Authority's standpoint, the Swap agreement provisions are insured by AMBAC Assurance Corporation. No collateral was required to be pledged by the Counterparties at June 30, 2007.

Conversely, these collateralization provisions are bilateral and require the Authority to pledge collateral for the fair value of the Swap agreements should that fair value and credit ratings of the Authority and AMBAC fall below applicable thresholds. No collateral was required to be pledged by the Authority at June 30, 2007.

Termination Risk – The Authority or Counterparty may terminate the Swap agreements if the other party fails to perform under the terms of the respective Swap agreement. If either of the Swap agreements is terminated, the associated portion of the Bonds would no longer be hedged to a fixed rate. If at the time of termination the Swap agreement has a negative fair value, the Authority would be liable to the Counterparty for a termination payment equal to the Swap agreement's fair value.

NOTE 7 - PENSION PLAN

All Authority employees are eligible to participate in a pension plan offered by the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined-benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement *and* disability retirement benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. The Authority's employees participate in the CalPERS Miscellaneous Employee "2% at 55" Plan. Benefit provisions under the Plan are established by State statute and Authority resolution. Benefits are based on years of credited service, equal to one year of full-time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS; and the Authority must contribute the amounts specified by CalPERS. The Plan's provisions and benefits in effect at June 30, 2007 are summarized as follows:

	Miscellaneous
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefit factors, as a % of annual salary	1.426% - 2.418%
Required employee contribution rates	7%
Required employer contribution rates	13.667%

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Authority's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the Authority must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The Authority uses the actuarially determined percentages of payroll to calculate and pay contributions to CalPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CalPERS, for the years ended June 30, 2007, 2006 and 2005 amounted to $330 thousand, $264 thousand and $211 thousand, respectively. The Authority passed a resolution requiring it to pay employee contributions as well as its own.

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty-year period.

As required by new State law, effective July 1, 2005, the Authority was required by CALPERS to join a new Statewide pool for smaller agencies. One of the conditions of entry to the pool was that the Authority true-up any unfunded liabilities in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The Authority satisfied its unfunded liability of $624,967 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 13 years.

Audited annual financial statements and ten year trend information are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 8 – DEFERRED COMPENSATION PLAN

Authority employees may voluntarily defer a portion of their compensation under Authority-sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. The Executive Director also currently receives a 457 Plan contribution as part of his compensation agreement. Under these 457 Plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The Authority has no liability for any losses which may be incurred by the Plans and does not participate in any gains, but it does have the duty of due care that would be required of an ordinary prudent investor. The Authority has contracts with CalPERS and with Lincoln Financial Group to manage and invest the assets of the Plans. These administrators pool the assets of the Plans with those of other participants and do not make separate investments for the Authority. Plan assets are subject to agreements which incorporated changes in the laws governing deferred compensation plan assets and are held by a trust or for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the Authority's property and are not subject to claims by general creditors of the Authority, they have been excluded from these financial statements.

NOTE 9 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority manages and finances these risks by purchasing commercial insurance and has a $1 thousand deductible for general and special property liability with limits of $10 million and $350 million, respectively. The Authority has no deductible for workers compensation with a $1 million limit. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the Authority's commercial insurance coverages in any of the past three years.

As of June 30, 2007, the Authority had no material claims outstanding for general liability or for workers' compensation cases.

NOTE 10 – NET ASSETS AND FUND BALANCES

Net Assets is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the Authority assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include assets committed to fund construction commitments and debt service requirements.

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

Unrestricted describes the portion of Net Assets which is not restricted to use.

As of June 30, 2007, the Authority had net assets amounting to $3.524 million. This relatively small amount is a result of capital assets which are contributed or transferred to other governments upon completion since those entities are responsible for maintaining them. Authority management has estimated that since inception, the Authority has constructed $661.4 million in capital assets. These assets are reflected on other governments' financial statements in accordance with generally accepted accounting principles.

All long-term debt of the Authority is expected to be repaid from future sales tax revenues which will be recorded each month when received by the State Board of Equalization.

B. Fund Equity Deficits

The Measure J Special Revenue Fund had a deficit fund balance of $17.4 million, which is expected to be eliminated with future sales tax revenue funds and proceeds from the issuance of the Subordinate Sales Tax Revenue Tax Exempt Commercial Paper Notes (Limited Tax Bonds), Series A in fiscal year 2007/2008.

The Bus Transit Program, which is reported in the General Fund, had a deficit fund balance of $52,000. Disbursements of sales tax revenue from this program to other transit agencies are performed in advance based on projected eligible sales tax revenue. In 2006/07, revenues did not meet the projection. The deficit fund balance will be a reduction from the projection of sales tax revenue in the next fiscal year.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's Attorney, there is no pending litigation, which is likely to have a material adverse effect on the financial position of the Authority.

The Authority receives federal and state grant funds. The amounts, if any, of the Authority's grant expenditures which may be disallowed upon audit by the granting agencies cannot be determined at this time, although the Authority expects any such amounts to be immaterial.

The Authority has various contracts with private consulting companies and cooperative agreements with governmental entities. As of June 30, 2007, the Authority expended approximately $948 million of these commitments and had outstanding commitments approximating $95.4 million. In addition to the above, the Authority has a remaining programming commitment of approximately $12.8 million to the Bay Area Rapid Transit (BART) system related to the State Highway Route 4 widening project.

The Authority leases its office facility and certain office equipment under operating lease agreements. During the year ended June 30, 2007 lease expenditures approximated $240 thousand. A schedule of future minimum lease payments on noncancelable operating leases follows (in thousands):

Year ending June 30:	
2008	$242
2009	237
2010	238
2011	224
Total	$941

NOTE 12 – SUBSEQUENT EVENT

On August 3, 2007, the Authority authorized the establishment of a commercial paper program to provide short term financing of Measure J projects. Under this program, the principal amount of outstanding commercial paper may not exceed $85 million at any one time and proceeds are restricted to Measure J projects and debt service from this program. Commercial paper is to be issued at prevailing interest rates, which may not exceed 12% for periods not more than 270 days from the date of issue. Commercial paper is expected to be repaid with future Measure J sales tax revenues and/or proceeds from the issuance of long term Measure J Bonds.

To provide liquidity for the program, the Authority is required to maintain a liquidity support agreement (line of credit) with a commercial bank. Outstanding commercial paper and related accrued interest cannot exceed the amount of this agreement. Drawings under the agreement are restricted to pay maturing commercial paper and accrued interest.

Concurrently with the establishment of this program, the Authority authorized the issuance of $43.9 million principal amount of Subordinate Sales Tax Revenue Tax Exempt Commercial Paper Notes (Limited Tax Bonds), Series A. Pursuant to the support liquidity requirement, the Authority has obtained a direct draw letter of credit in the amount of $47.8 million which expires the earlier of October 1, 2009, or upon repayment of commercial papers issue under this program.

CONTRA COSTA TRANSPORTATION AUTHORITY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2007
(in thousands)

	SPECIAL REVENUE FUNDS		
	Carpool, Vanpool	Air Quality	Total Nonmajor Governmental Funds
ASSETS			
Restricted cash and investments	$239	$2,189	$2,428
Receivables:			
Interest		18	18
Total Assets	$239	$2,207	$2,446
LIABILITIES			
Accounts payable	$143		$143
Due to other funds		$1,066	1,066
Total Liabilities	143	1,066	1,209
FUND BALANCES			
Reserved for:			
Air quality		1,141	1,141
Carpool, vanpool	96		96
Total Fund Balance	96	1,141	1,237
Total Liabilities and Fund Balances	$239	$2,207	$2,446

CONTRA COSTA TRANSPORTATION AUTHORITY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

	SPECIAL REVENUE FUNDS		
	Carpool, Vanpool	Air Quality	Total Nonmajor Governmental Funds
REVENUES			
Investment income		$110	$110
Motor Vehicle Registration Surcharge (TFCA)		1,346	1,346
Total Revenues		1,456	1,456
EXPENDITURES			
Programs:			
Carpools, vanpools	$683		683
Total Expenditures	683		683
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(683)	1,456	773
OTHER FINANCING SOURCES (USES)			
Transfers in	895		895
Transfers (out)		(1,952)	(1,952)
Total Other Financing Sources (Uses)	895	(1,952)	(1,057)
NET CHANGE IN FUND BALANCES	212	(496)	(284)
BEGINNING FUND BALANCES	(116)	1,637	1,521
ENDING FUND BALANCES	$96	$1,141	$1,237

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CONTRA COSTA TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Authority Board
Contra Costa Transportation Authority
Pleasant Hill, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Contra Costa Transportation Authority, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2008, and the respective changes in the financial position and cash flows, and the budgetary comparisons included as part of the basic financial statements, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 7 and 9, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 the Authority's basic financial statements. The combining financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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.

October 10, 2008

CONTRA COSTA TRANSPORTATION AUTHORITY
Management Discussion and Analysis
For the Year Ended June 30, 2008

Contra Costa Transportation Authority's ("Authority") Management Discussion and Analysis (MD&A) provides to the Authority Board, Administrative Projects Committee (which serves as the Authority's Audit Committee), interested parties and the public in general a readable summary and analysis of the financial performance for the fiscal year ended June 30, 2008. The MD&A should be read in conjunction with the Basic Financial Statements.

Summary of Financial Highlights for the Year Ended June 30, 2008

- The Authority-wide Statements, the Statement of Net Assets and the Statement of Activities, show that the assets of the Authority exceeded its liabilities by $17.613 million for the year ended June 30, 2008. A major factor to consider when reviewing the Statement of Net Assets is that the Authority does not hold or retain title for the projects it constructs. Furthermore, a considerable amount of debt financing which is nearly repaid has been used to accelerate such projects for the benefit of Contra Costa residents and taxpayers.

- The outstanding Authority debt as of June 30, 2008 is $32.480 million versus $63.430 million as of June 30, 2007. No corresponding asset exists on the Authority's ledger for this long term debt. Other agencies, such as Caltrans, BART, Contra Costa County, or the cities within Contra Costa, hold title to the transportation assets built or improved by Measure C & Measure J financing. In fact, as of June 30, 2008, the Authority had spent $693.200 million on transportation infrastructure improvements within Contra Costa, on assets that are owned by, and shown on the financial statements of other public agencies. An additional $281.900 million to date has been expended by the Authority for the established Measure C programs: Local Street Maintenance and Improvement, Carpool/Vanpool, Bus Transit, and Paratransit.

- Total assets amount to $123.608 million, consisting primarily of cash and investments amounting to $104.712 million, receivables due from others amounting to $17.718 million, net Other Post Employment Benefits (OPEB) amounting to $1.102 million (see Note 9), and capital assets (net of depreciation) amounting to $0.076 million. Total assets increased by $13.114 million from the prior year, due mainly to higher cash balances.

- Liabilities totaled $105.995 million, consisting of $32.480 million in long-term debt, and other payables and liabilities of $73.515 million. Liabilities decreased $0.975 million due to the issuance of Commercial Paper in the amount of $43.900 million to advance Measure J projects. This was offset by debt retirement for $30.950 million and an accounts payable decrease of $12.994 million due to purchase of right-of-way for $15.000 million, for the State Route 4 Bypass project in the prior year.

- Sales tax revenues of $74.680 million were received for the fiscal year ended June 30, 2008, a decrease of $1.058 million (-1.40%) from the prior year. Sales tax revenues accounted for 78% of all of the revenues ($95.498 million) received by the Authority.

- Total expenses including interest on long-term debt (but not the principal repayment) were $81.409 million.

- The Authority's net assets increased $14.089 million during the fiscal year ended June 30, 2008, due primarily to the sales tax revenues received during the year that were used to repay long-term bond principal in the amount of $30.950 million (not shown on the basic financial statements), decreasing liabilities and thus increasing net assets.

- During the fiscal year ended June 30, 2006, a Measure J fund was established to record Measure J project and financing activity. In November 2004, Contra Costa voters approved Measure J, a 25-year extension of the county-wide half-cent sales tax. The Authority is the implementing agency for both Measure C and Measure J. Selected Measure J project expenditures have commenced and are being funded by advances from Measure C and $43.900 million in Commercial Paper borrowing.

- During the fiscal year ended June 30, 2008, the Authority implemented Governmental Accounting Standards Board Statement No. 45 (GASB 45), Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. This establishes reporting standards for employers providing post employment benefits other than pensions (OPEB). The Authority as required by GASB 45, completed an actuarial report to determine the actuarial accrued liability of $1.307 million and the annual required contribution (ARC) of $0.235 million. The Authority was prepared for GASB 45, began allocating $0.225 million per year during fiscal year 2003-04, which amounted to $1.125 million as of June 30, 2008. In November 2007, the Board approved establishing an irrevocable trust with CalPERS to fund OPEB, and then contributed the balance of $1.125 million which had been set aside. Finally, the Authority's contribution exceeded the ARC, which created an asset of $1.102 million in the Statement of Net Assets (For additional information please see Note 9.)

Background and Supporting Information

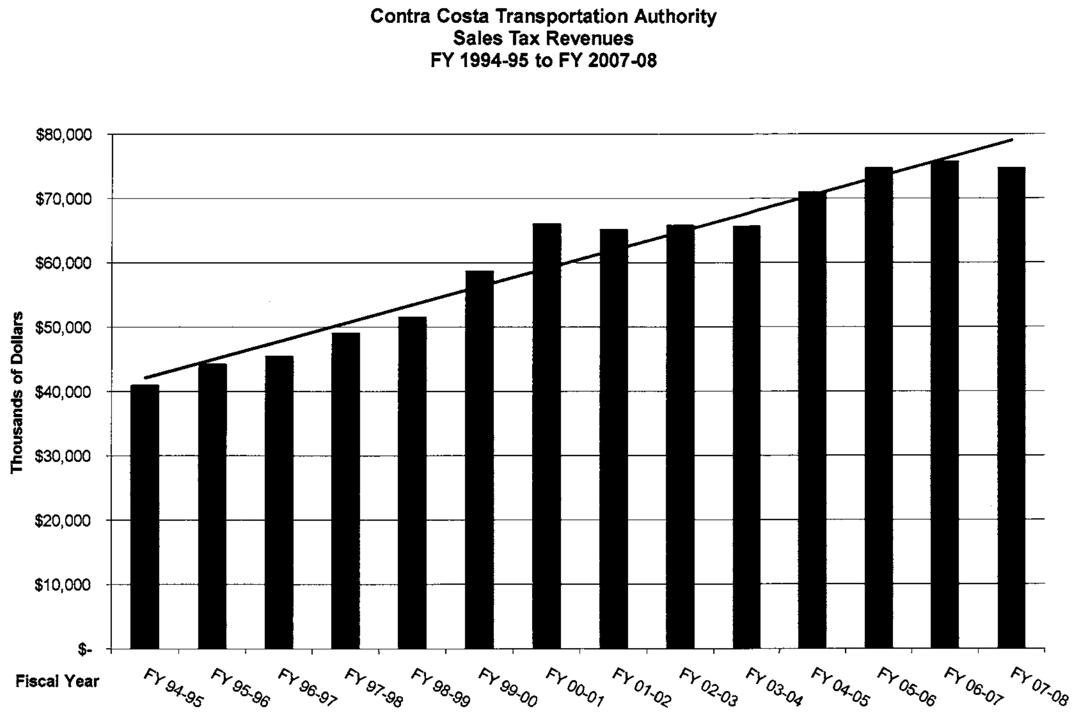
Organization. The Contra Costa Transportation Authority ("Authority") is a government special district established under Division 19 of the California Public Utilities Code Section 180000 et seq., pursuant to Contra Costa Ordinance 88-01 (as amended by Ordinance 06-02). The Authority became effective in its current role following a ballot referendum approved by the voters of Contra Costa County on November 8, 1988. The referendum, Measure C, established a county-wide half-percent sales tax imposed effective April 1, 1989 remaining in effect through March 31, 2009. The Authority is governed by a Board of 11 members. Board Members are elected representatives of the County Board of Supervisors (2), local elected representatives from the cities of each of four subregional transportation areas (2 from each subregion), and one elected representative of the Contra Costa County Conference of Mayors (1). The Authority is responsible for carrying out the provisions of Measure C, the Expenditure Plan and the Growth Management Plan.

On November 2, 2004, the voters in Contra Costa approved Measure J, extending the county-wide half-percent sales tax from April 1, 2009 (the end of the term of Measure C) through March 31, 2034. The Authority is also responsible for carrying out the provisions of Measure J, the Expenditure Plan and the Growth Management Plan.

Sales Tax Revenues. The Authority relies primarily on the county-wide half-cent sales tax revenues for carrying out the provisions of Measure C. The Authority has received $1.047 billion in sales tax revenue from inception to the fiscal year ended June 30, 2008. Sales tax revenues in the fiscal year ended June 30, 2008 were $74.680 million and represents 78% of all of the revenues received by the Authority. This is a decrease of $1.058 million or 1.40 % from the sales tax revenues received in FY 2006-07. The decline is due to economic downtown impacting taxable sales, experienced nationally as well as within the region. The next few charts provide an analysis of sales tax revenues and economic indicators in Contra Costa County.

Chart 1 shows the annual sales tax revenues received from FY 1994-95 through FY 2007-08.

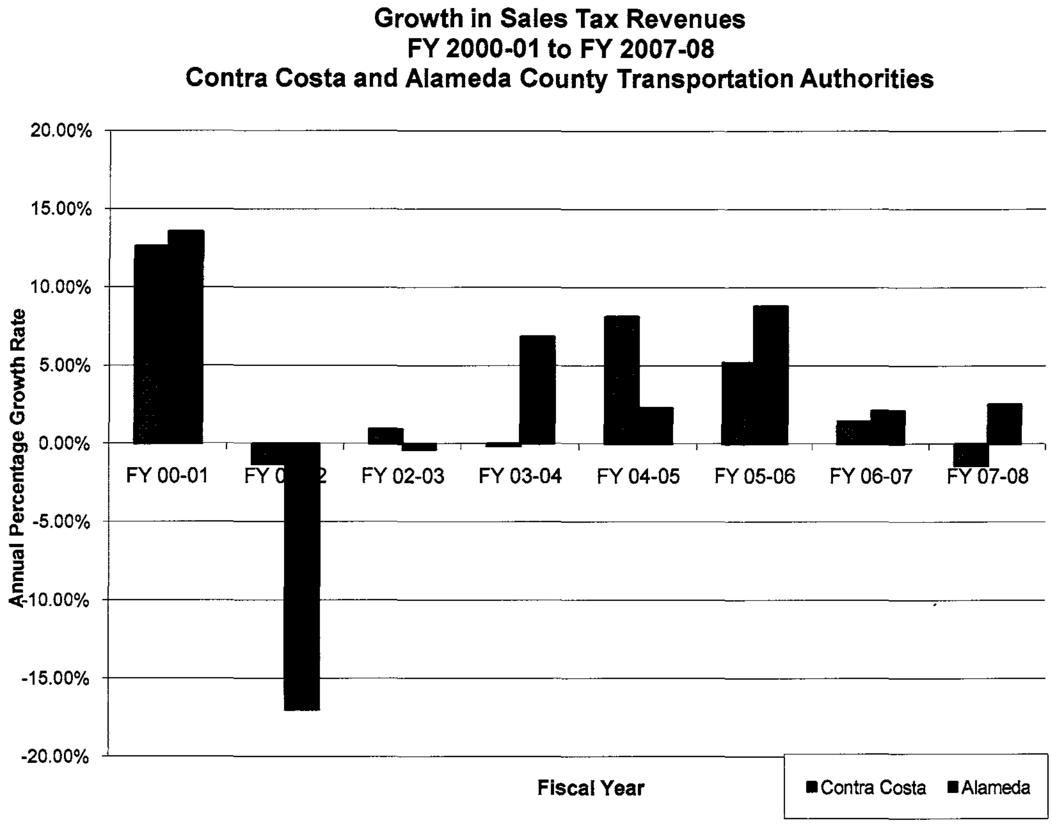
CHART 1



Source: Authority audited financial statements.

Economic Base for Sales Tax Revenues. The economic base in Contra Costa is somewhat different than the sales tax base in adjacent Bay Area counties. In Chart 2, the different growth rates in sales tax revenues in Contra Costa and Alameda counties over the past several years.

CHART 2



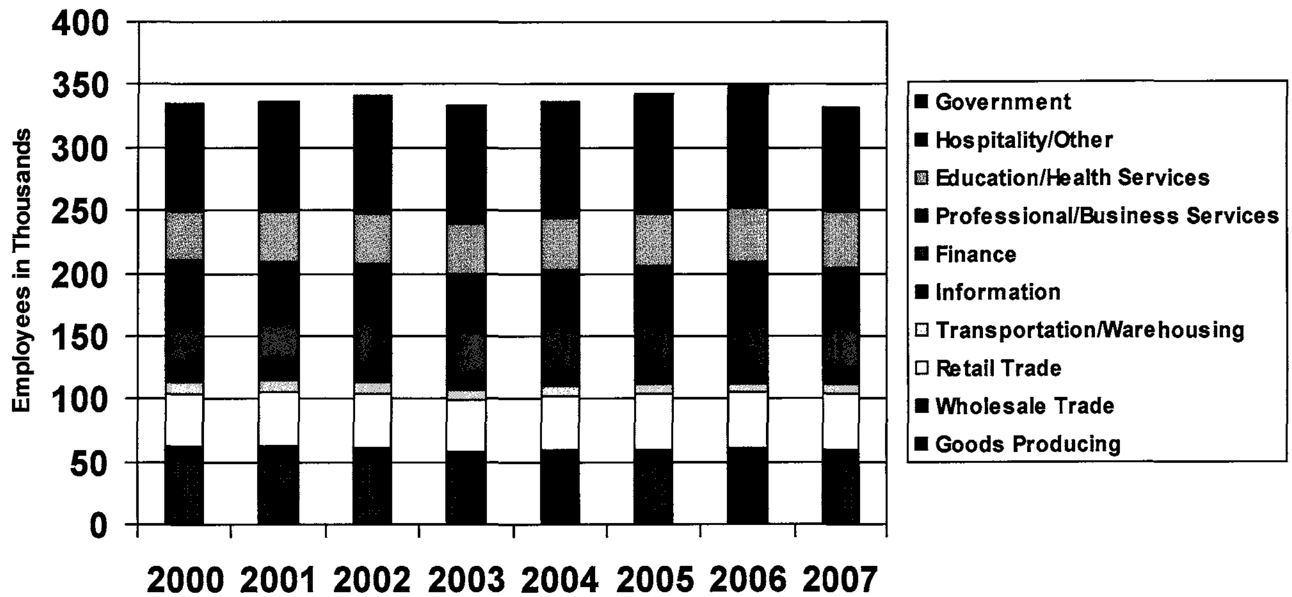
Source: County of Alameda Congestion Management Agency

Components of Taxable Transactions. Consumption-based retail sales are a dominant portion of the sales tax revenues that the Authority receives. For Contra Costa, retail sales as a percentage of total taxable transactions increased from 73.0% in 2001 to 74.1% in 2006 and continue to be the source of the majority of the Authority's sales tax revenue. In comparison, Alameda County's retail sales as a percentage of total taxable transaction represent 62% of sales tax revenue in 2006. The fallout from the sub-prime mortgage crisis from financial institutions failing, rising unemployment, reduction in development and increased fuel costs has resulted in a direct impact to the Authority's sales tax revenues. During the fiscal year ended June 30, 2008, sales tax receipts from new motor vehicle sales and lumber and building materials has decreased $1.427 million and $0.566 million respectively from the previous year. Service stations increased $1.2 million from the prior year as gas prices set record highs.

Employment. Chart 3 shows the employment diversity in Contra Costa County as of December 2007. The sub-prime mortgage issue has had an impact to unemployment in the county rising to 6.3% in June 2008 compared to 4.7% in 2007. The region has seen drops in construction related jobs as the housing market has been saturated with foreclosed homes and developers are delaying or pulling out of residential projects.

CHART 3

Contra Costa Employees
Classified by Job Sector
2000 to 2007



Source: State of California – Employment Development Department Industry Employment - Official Monthly Estimates (CES)

Overview of the Financial Statements

The Authority's Financial Statements is in three parts:

1. The Management Discussion and Analysis (this part),
2. The Basic Financial Statements, which include the Authority-wide and the Fund financial statements along with the Notes to these financial statements, and
3. Combining Statements for Non-major Governmental Funds

Authority-wide Financial Statements

The Authority-wide financial statements are designed to provide a longer-term view of the Authority's financial position, using a full accrual accounting method similar to the model used in the private sector. A main difference for the Authority, as compared to other government entities, concerns the impacts of the volume of outstanding debt and the absence of Authority title to the transportation infrastructure assets constructed with that debt.

- The Statement of Net Assets provides a broader overview of the long-term assets and liabilities of the agency. The principal owed on the bonds issued by the Authority, over all of the years the principal is to be repaid, is combined in the current year statements as an unpaid liability.

- The Statement of Net Assets includes an element showing the value of depreciated capital equipment and infrastructure. For the Authority, this is a small number, since other agencies hold title to the transportation projects that the Authority funds.

- The consequent negative unrestricted net asset position is the result of Authority borrowing to construct projects, on behalf of Contra Costa residents and taxpayers, transportation infrastructure assets that are owned by other public agencies.

Table 1 compares features of the government-wide financial statements and the traditional governmental fund accounting financial statements.

Table 1

Comparison of Qualities of the Government-Wide Financial Statements
Compared to Financial Statements Prepared Under Traditional Governmental Fund Accounting

Quality	Government-Wide Financial Statements	Government Fund Accounting Financial Statements
Scope	Entire agency	Activities of the agency that are not proprietary or fiduciary
Required Statements	• Statement of Net Assets • Statement of Activities (government-wide)	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance (for each individual fund)
Basis of Accounting, Measurement Focus	• Full accrual accounting, • Economic resources focus	• Modified accrual accounting, • Focus on current financial resources

The **Statement of Net Assets** summarizes the Authority's assets and liabilities, with the difference reported as net assets. The Statement of Net Assets is designed to provide information about the financial position of the Authority as a whole, including all of its capital assets and long-term liabilities, on a full accrual basis of accounting similar to the accounting model used by private sector firms. Table 2 summarizes the net assets of governmental activities for the years ended June 30, 2008, June 30, 2007, and June 30, 2006.

Table 2
Statement of Net Assets
(In Thousands)

	Governmental Activities For the Year Ended: June 30, 2008	June 30, 2007	June 30, 2006
ASSETS			
Restricted cash and investments	$ 104,712	$ 94,246	$ 83,652
Receivables	17,718	16,166	14,613
Net OPEB asset	1,102		
Capital assets	76	82	63
Total assets	123,608	110,494	98,328
LIABILITIES			
Long-term debt	32,480	63,430	92,880
Other liabilities	73,515	43,540	25,413
Total liabilities	105,995	106,970	118,293
NET ASSETS			
Invested in capital assets, net of related debt	76	82	63
Total restricted net assets	84,679	85,374	76,620
Unrestricted net assets (deficit)	(67,142)	(81,932)	(96,648)
Total net assets (deficit)	$ 17,613	$ 3,524	$ (19,965)

Cash and Investments at June 30, 2008 consists of investments in the County Treasurer's Investment Pool ($11.280 million), the State Local Agency Investment Fund ($7.563 million), Federal Agency securities ($28.362 million), California Asset Management Program ($41.987 million), money market funds with trustee ($4.712 million), guaranteed investment contract ($2.524 million), U.S. Treasury Notes ($7.084 million), medium term corporate notes ($0.996 million), and cash in the bank and with the trustee ($0.204 million). Of these cash and investments, $17.008 million are debt service reserves, and $87.704 million are available for operations. (Details of the composition and categorization of cash and investments may be found in Note 3 to the basic financial statements.)

Capital assets. For the year ended June 30, 2008, the total capital asset value was $0.076 million. This includes $0.082 million in office leasehold improvements and $0.113 million in office equipment (including computers and furniture), minus accumulated depreciation of $0.057 million for leasehold improvements and $0.062 million for office equipment. Though working on a number of large transportation projects during the year, the Authority holds title to none of these capital assets. (For additional information please see Note 5.)

Long-term debt. The Authority currently has outstanding debt on three separate bond issues: referred to as the 1993 Bonds, the 2000 Bonds, and the 2002 Bonds. All three bonds will be *repaid* during fiscal year 2009. The outstanding principal balances owed are as follows (in thousands of dollars):

1993 Bond	$ 19,550
2000 Bond	5,325
2002 Bond	7,605
Total	$ 32,480

The 1993 Bonds were originally a variable rate issue of $230 million. This was converted to a fixed rate schedule in 1996. In the year ended June 30, 1993, the advance refunding of the 1991 Bonds (by placing in escrow sufficient funds for repayment of the debt) led to the consideration of the 1991 Bond issue as defeased.

The 2000 Bonds are a variable rate issue of $25 million that is subordinate to the other Authority debt issues. At June 30, 2008, the variable interest rate was 1.60% including financing fees (1.32% borrowing rate + 0.28% financing fees). Interest payments on the 2000 bonds are made monthly. Principal payments on the 2000 Bonds are made in October of each year, from 2004 to 2008.

Interest payments on the 1993 Bonds and 2002 Bonds are made in March and September of each year. Principal payments on the 1993 Bonds and 2002 Bonds are made in March of each year. The 2002 Bond was issued to refund the 1995 Bond debt (principal payable after 2005). In July 2002, the Authority issued the 2002 Series A Refunding Bonds to refund $28.015 million of the principal amount of the prior 1995 Series A Bonds scheduled to mature after March 1, 2005. On March 1, 2005, all of the outstanding amounts of the 1995 Bonds were called. No principal or interest remains to be paid on the 1995 Bonds, and all Trustee accounts for the 1995 Bonds have been closed.

In Fiscal Year 2005-06, the Authority entered into a financing arrangement involving interest rate swaps with Bank of America, N.A., and Merrill Lynch Capital Services, Inc. This enables the Authority to lock in a favorable fixed interest rate of 3.653% for $300 million in bonds expected to be issued in 2009, maturing in 2034. AMBAC Assurance Corporation provided swap insurance, a forward commitment for bond insurance, and a reserve fund surety bond in connection with the financing arrangement. (Further detail on long-term debt and this financing arrangement may be found in Note 6 to the financial statements.)

The **Statement of Activities** presents information showing how the Authority's net assets have changed during the fiscal year. The Authority-wide financial statements give a report on the main functions of the Authority. The statement shows that these functions are principally supported by sales tax revenues, discussed in detail in a prior section of the MD&A.

Expenditures are categorized by the main Authority functions. These functions include transportation projects, programs, and debt service. Revenues restricted to funding of specific Authority functions are considered program revenues. All other revenues are classified as general revenues, which may be used to finance all Authority functions. Sales tax revenues are included in the general revenues category, along with interest earnings on investments. Table 3 is the Statement of Activities, or the change in net assets of governmental activities, for the years ended June 30, 2008, June 30, 2007, and June 30, 2006.

Table 3
Statement of Activities
(In Thousands)

	Governmental Activities For the Year Ended: June 30, 2008	June 30, 2007	June 30, 2006
Revenues			
General revenues			
Sales taxes	$ 74,680	$ 75,738	$ 74,676
Other general revenues	5,567	4,787	3,686
Program revenues			
Operating grants and contributions	10,382	13,479	5,727
Capital grants	4,869	2,509	6,050
Total revenues	95,498	96,513	90,139
Expenses			
Administration	1,720	1,954	1,792
Project management	795	818	730
Programs	21,229	20,954	19,997
Transportation projects	51,344	42,156	26,802
Regional planning	1,208	597	371
Congestion management	960	655	535
Transportation demand management	1,081	1,963	913
Transportation planning land use solutions	251	65	
Debt service interest and related fees	2,821	3,862	8,182
Total expenses	81,409	73,024	59,322
Change in Net Assets	14,089	23,489	30,817
Net Asset - (deficit) Beginning	3,524	(19,965)	(50,782)
Net Asset - (deficit) Ending	$ 17,613	$ 3,524	$ (19,965)

The **Statement of Activities** provides information about the Authority's revenues and expenses on the full accrual basis, with an emphasis on measuring the net revenues or expenses for each of the Authority's main activities. The Statement explains the change in net assets for a given year. All of the Authority activities are governmental type activities.

Sales tax revenues are the largest revenue source amounting to $74.680 million, down 1.40% from $75.738 million for the preceding year. Sales tax revenues are general revenues, available to all Authority purposes, and are about 78% of all Authority revenues for the year ended June 30, 2008. Investment earnings and other miscellaneous revenues are also general revenues.

Program revenues represent $15.251 million or about 16.0% of total revenues decreased $0.737 million from last year. The largest source of capital grant revenues in the year ended June 30, 2008, was the State Traffic Congestion Relief Program (TCRP) revenue amounting to $1.069 million which was a decrease of $4.062 million from the previous fiscal year. State Transportation Improvement Project (STIP) grants were $2.0 million, and none were received in the prior year. Regional Measure 2 (RM2) grants decreased $0.822 million to $4.402 million. Over the last two fiscal years the Caldecott Tunnel and eBART projects receive the majority of the grant reimbursements. The funding sources will vary as the Authority is reimbursed for different phases of the projects from design to right-of-way purchases, or draws on grants that have an earlier sunset date.

Expenses, including depreciation, are classified by function. A brief description of activity within each function is as follows:

- The **Administration** function includes tasks and costs related to the overall operation and management of the Authority. Office expenses including rents and leases, office supplies, and equipment, and general service contracts are also charged to the Administration category. Administration expenses decreased $0.234 million from the fiscal year ending June 30, 2007, because three positions (Chief Financial Officer, Management Analyst and Administrative Clerk) were not filled for approximately half of the fiscal year. Administration services and supplies did increase, as the Authority paid for consultants for information technology services and review of our financial system needs. Administrative salaries and benefits are 0.76% of sales tax revenues in the year ended June 30, 2008, less than the 1% limitation.

- **Project management** includes tasks and costs related to the oversight of Measure C projects such as the widening of State Route 4 East, e-BART, the preliminary planning and engineering work on the Caldecott Tunnel 4th Bore project, and auxiliary lane additions and improvements along the I-680 corridor.

- **Programs** include the expenditures related to Local Street Maintenance and Improvement, Bus Transit, Paratransit, and Carpool/Vanpool. These 'Programs' were established in Measure C. The base level Program distributions to local jurisdictions and other public agencies total 26.87% of annual sales tax revenues. The expenditures for programs are slightly higher than this percentage for the year ended June 30, 2008, due mainly to the remaining approved allocations for the Carpool/Vanpool program which amounts to $0.705 million. The Authority and the providers for Carpool/Van pool were aware of the issue and the transit operators agreed to receive a reduced Measure C allocation for fiscal year 2008-09 to offset the shortfall.

- **Projects** expenditures include annual project expenses, right-of-way costs, construction contract costs, engineering design and management contract costs, and attorneys fees for Measure C projects in the current year of the Authority Strategic Plan. Project expenditures are further categorized by Highways and Arterials, Transit, and Trail projects. Project costs in the year ended June 30, 2008 are $9.188 million more than the project costs for the year ended June 30, 2007. The major expenditures in the year were for the SR 4 East corridor projects, I-680 project relating to the Alhambra Widening in the City of Martinez, Vasco Road Bypass project, and the Caldecott Tunnel 4th Bore project. SR 4 East projects included expenditures from Measure C and Measure J.

- The **Regional Planning** function includes tasks and costs related to implementation of the Growth Management Plan. This function also includes regional transportation planning activities, and the development and maintenance of the county-wide travel demand models. Costs increased because of activity on the 2008 County Transportation Plan and update of the Action Plan.

- **Congestion Management** includes activities related to the mandated Congestion Management Plan (CMP), such as monitoring of compliance with established standards. The cost of assisting local jurisdictions with funding applications for state and federal funds is also charged to this organizational unit. Salary costs increased by $164 thousand, primarily because of increased salary expenses from two new staff members. Project Salary expenses are reimbursable from State Planning, Programming and Monitoring (PPM) funds.

- The **Transportation Demand Management** function includes the distribution of funds for ridesharing and the implementation of other trip reduction strategies such as the carpool and vanpool incentive programs and the guaranteed ride home program. Expenditures for the fiscal year ended June 30, 2008 decreased $0.882 million over the previous fiscal year. Decreases in expenditures are attributable to less program reimbursable expenditures this year.

- **Transportation Planning Land Use Solutions** is a program that provides funding to assist local jurisdictions in developing long-range plans for Transportation Oriented Development projects. The program is funded by MTC through CMAQ/STP funds. Expenditures for this program were $0.251 million, an increase of $0.186 million compared to June 30, 2007. The program contributed $0.100 million to the City of San Ramon for the Bike/Pedestrian Iron Horse Trail, and $0.077 million to the City of Antioch for the development plans for State Route 4 to State Route 160.

- **Debt Service** is another category of expenses. Since the Statement of Activities is on a full accrual basis, only interest costs and related fees are shown in the basic financial statements. The principal repayment is not shown as an expenditure line item. The principal owed is incorporated into the beginning Net Assets figure. The decrease in debt service expenses in the Statement of Activities is due to the structure of the debt agreements and to the decrease in interest payments on the (variable rate) 2000 Bonds as compared to the prior year.

The **Change in Net Assets** figure is the revenues minus the expenditures. During the year ended June 30, 2008, the Authority realized an increase in Net Assets of $14.089 million. This increase resulted primarily from the tax revenues that were used during the year to retire debt. As sales taxes received in future years are used to retire debt, liabilities in excess of assets will continue to decrease and ultimately reach $0. In the year ended June 30, 2008, the Authority had expenditures of $30.950 million to repay bond principal, which are not shown otherwise on the mandated statements but are described in the notes to the financial statements.

Fund Financial Statements

Governmental funds - These statements are more familiar to the reviewers of past Authority financial statements. The Authority's General Ledger is maintained on a standard government fund accounting, modified accrual basis. This basis is required to ensure compliance with finance-related legal standards. The perspective of a fund-based financial statement is narrower than Authority-wide statements, with a focus on spendable assets and short-term liabilities rather than on cash flows in future years. The focus of these fund statements is now on major funds. The General Fund is always a major fund, and the Measure J Fund, Streets and Roads Fund and all Debt Service Funds are also Major Funds. Budget variances are also discussed. Discussion of the Major Fund Statements is as follows:

General Fund

General Fund's ending **fund balance** was $67.524 million as of June 30, 2008, which represents an increase of $0.249 million for the year.

Sales tax revenues received in the year ended June 30, 2008 were $0.830 million above the final revised budget, but $1.058 million below sales tax revenue compared to the prior fiscal year. The Authority approved an amended budget in March which reduced the original sales tax budget from $76.585 million to $73.850 million. The reason for the decrease was the sales tax revenue trends during the first half of the fiscal year, which is discussed in more detail in the beginning of this MD&A.

Investment income was $3.615 million for the year ended June 30, 2008, which was a $0.070 million increase over the year ended June 30, 2007. Higher cash balances and short term interest rates decreasing modestly during the year resulted in a minor increase in investment income. The Authority's Investment Policy remains more conservative than permissible by law.

Project expenditures are categorized into a) highways and arterials; b) transit; and c) trails projects. Project expenditures in the year ended June 30, 2008 were $6.343 million above the expenditures in the prior year, but $13.942 million under budget for the year ended June 30, 2008.

The major reasons that expenditures increased from FY 2006-07 to FY 2007-08 are due to the following:

Highway & Arterial

- i) Alhambra Widening construction costs to the City of Martinez for $5.000 million, which began late fiscal year 2006/07.
- ii) Route 4 East Corridor had construction costs for $3.900 million for a pump station, and none in the prior year.
- iii) State Route 4 is under budget $5.800 million for right of way that did not occur, re-budgeted for the following fiscal year. Total budgeted amount of the right-of-way was $7.8 million, with project costs shared between State Route 4 and Regional Commuterway which is categorized as a Transit Project.
- iv) State Route 4 - Sommersville Road Project for planning, specifications & estimate work was less than originally budgeted for $2.100 million, re-budgeted for fiscal year 2008-09.

Transit

- i) State Route 4 - Loveridge to Sommersville Project spent $3.000 million, which is $2.000 million less than prior year as this phase of the project is winding down.
- ii) Regional Commuter way Project is under budget for $2.000 million as noted above.
- iii) Richmond Transit Village was budgeted for $1.2 million and no costs were incurred, re-budgeted for fiscal year 2008-09.

Streets and Roads Fund

Transfers from the General Fund for current year sales tax revenues allocable to local jurisdictions amounted to $13.442 million in the fiscal year ended June 30, 2008. This amount, along with prior year undisbursed funds, were held in cash and are expected to be distributed upon completion and approval of the growth management checklist (now on a two-year cycle) and subsequent directions to disburse the funds. Disbursements are 18% of sales tax.

Measure J Fund

On August 3, 2007, the Authority provided short term financing of Measure J projects through a Commercial Paper program. Under this program, the principal amount of the outstanding Commercial Paper may not exceed $85.000 million, restricted to Measure J projects and debt service.

As of June 30, 2008, the Authority has an outstanding principal on the Commercial Paper of $43.900 million with an interest rate not to exceed 12%. The Commercial Paper is expected to be repaid with the issuance of long term Measure J Bonds in fiscal year 2010.

Project expenditures at June 30, 2008 were $19.360 million, categorized under highways and arterials. The State Route 4 East Vasco Road Bypass project had expenditures of $16.661 million, which was an increase of $1.629 million from the previous year.

Debt Service Funds

During the year ended June 30, 2008, the Authority repaid $30.950 million in scheduled principal retirements. As mentioned earlier, final payments for all three of the Authority's bonds will be made the following fiscal year.

Proprietary funds – Internal service fund is an accounting device used to accumulate and allocate costs internally among the Authority's various functions. The Authority uses an internal service fund to account for the retiree health benefits which are our other post employee benefits (OPEB) costs. The Authority implemented Governmental Accounting Standards Board Statement No. 45 (Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions). This Statement establishes reporting standards for employers providing post employment benefits other than pensions.

The Authority has been proactive on the issue of retiree benefits when it was not certain Measure C would be continued and began putting aside monies for retiree health benefits. Beginning in Fiscal Year 2003-04, based on an actuarial report the Authority set aside $0.225 million. As of June 30, 2008, the Authority had collected a total amount of $1.125 million. Those funds were transferred to a CalPERS trust account which was setup during the fiscal year. (For additional information see Footnote 9.)

Notes to the Basic Financial Statements

The notes provide additional information that is important to a full understanding of the data provided in the Authority-wide, and the traditional fund-based, financial statements. These are contained on the attached reports.

Authority's Outlook

March 31, 2009, represents the end of Measure C sales tax revenue even though some of the programs and projects will continue to move forward as stated in the Strategic Plan. As stated earlier, Measure C has collected over $1 billion dollars and has helped improve transportation in Contra Costa County through planning, programs and projects. Based on the efforts of the Authority, County and local agencies, the voters approved Measure J to continue the work that has begun and take on new challenges.

Measure J will continue to fund programs and projects that assist residents and visitors of Contra Costa County. Bus transit, Paratransit and Carpool/Vanpool (renamed to Commute Alternatives under Measure J) programs will carry on and receive funding. New programs to assist the County: a) Express Bus - assist commuters to and from residential areas to BART stations, park and ride lots or employment centers, b) Safe Transportation for Children - assist in transportation to schools from bus operations to capital improvements and c) Ferry Service -ferry service from Richmond, Hercules or Rodeo to San Francisco. Measure J projects will complete the State Route 4 widening and begin the construction phase of the Caldecott Tunnel 4th Bore. Measure J will also contribute funding to e-BART which will provide access to the eastern parts of the County.

Another challenge is the economic impact from the financial crisis that is affecting Contra Costa County, the State of California and the country as a whole. The sub-prime mortgage crisis has grown into a financial crisis and we have already begun to see the impact to the Authority's revenue as it decreased compared to the prior year. The Authority has already assumed a 1% decrease for Fiscal Year 2008-09 sales tax revenue based on its Fiscal Year 2007-08 actual.

The financial crisis has also caused concern as we have seen financial institutions forced into bankruptcy or merger. This included Merrill Lynch merging with Bank of America, the two counterparties to the Authority's swap agreement. Bank of America is still a strong partner in the swap agreement at this time. The market for variable interest rate became unstable as we saw rates jump from 1.6% in June to 6.1% in September. This impacted the Authority's 2000 Bonds for a short period of time, but retired as of October 1, 2009.

The Authority is also preparing to issue bonds in the beginning of Fiscal Year 2008-09 as stated in the Measure J Strategic Plan and has begun planning much earlier to mitigate potential issues related to the bond issuance. The normal timing is three months before the potential issue date but in light of recent news, we have increased the time to six months to allow more flexibility due to economic conditions. The Authority continues to monitor the financial activity and brings forth these issues to the Board.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Authority. Questions concerning information provided in this report, or any requests for additional financial information, should be addressed to Randall Carlton of the Contra Costa Transportation Authority, 3478 Buskirk Ave., Suite 100, Pleasant Hill, CA 94523.

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STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets reports the difference between the Authority's total assets and the Authority's total liabilities, including all the Authority's capital assets and all its long-term debt. The Statement of Net Assets presents information similar to the traditional balance sheet format, but presents it in a way that focuses the reader on the composition of the Authority's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the Authority's Governmental Activities in a single column. The Authority's Governmental Activities include the activities of its all of its governmental funds, capital assets and debt.

The Statement of Activities reports increases and decreases in the Authority's net assets. It is also prepared on the full accrual basis, which means it includes all the Authority's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the Authority's expenses listed by program. Program revenues—that is, revenues that are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Authority's general revenues are then listed in the Governmental Activities column, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements.*

CONTRA COSTA TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2008
(In thousands)

	Governmental Activities
ASSETS	
Restricted cash and investments (Note 3)	$104,712
Receivables:	
Sales tax	12,287
Interest	590
Intergovernmental	4,841
Net OPEB asset (Note 9)	1,102
Capital assets, net of accumulated depreciation (Note 5)	76
Total assets	123,608
LIABILITIES	
Accounts payable	28,213
Accrued employee benefits	417
Interest payable	985
Commercial paper (Note 6)	43,900
Long term debt (Note 7):	
Due within one year	32,480
Total liabilities	105,995
NET ASSETS (Note 12)	
Invested in capital assets, net of related debt (Note 5)	76
Restricted for:	
Transportation projects and programs	67,671
Debt service	17,008
Total restricted net assets	84,679
Unrestricted net assets (deficit)	(67,142)
Total net assets	$17,613

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

		Program Revenues		Net (Expense) Revenue and Change in Net Assets
Functions/Programs	Expenses	Operating Grants and Contributions	Capital Grants	Governmental Activities
Governmental Activities:				
Administration	$1,720			($1,720)
Project management	795			(795)
Programs	21,229			(21,229)
Transportation projects	51,344	$2,000	$4,869	(44,475)
Regional planning	1,208	6,757		5,549
Congestion management	960	91		(869)
Transportation demand management	1,081	1,534		453
Transportation planning land use solutions	251			(251)
Interest and related fees	2,821			(2,821)
Total Governmental Activities	$81,409	$10,382	$4,869	(66,158)
General revenues:				
Sales taxes				74,680
Investment income				5,341
Miscellaneous				226
Total general revenues				80,247
Change in Net Assets				14,089
Net Asset-Beginning				3,524
Net Assets-Ending				$17,613

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

The Fund Financial Statements are presented by individual major funds, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the Authority for fiscal year 2008. Individual non-major funds may be found in the Combining Financial Statement section.

GENERAL FUND

The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. All sales tax revenues are recorded in the General Fund. All intergovernmental revenue is recorded in the General Fund, except for those restricted funds required to be recorded in Special Revenue Funds and the Measure J Fund. Transfers of sales tax revenues to Special Revenue Funds are made in accordance with the provisions of Measure C as discussed below. The Authority also transfers sales tax revenues to Debt Service Funds, on a monthly basis, to cover interest and principal coming due. General Fund expenditures include salaries and benefits of the Authority's staff. Salaries and benefits for administration are limited by Measure C (as defined) to one percent of the sales tax revenue on an annual basis.

STREETS AND ROADS SPECIAL REVENUE FUND

This Fund is used by the Authority to account for the accumulation of resources required to be allocated to local cities and the County for local transportation improvements, including streets and roads. Monies are disbursed to the local agencies upon compliance with certain provisions included in Measure C. Under the provisions of Measure C and policies adopted by the Authority, 18% of net sales tax revenues are to be used for local street maintenance and improvements.

MEASURE J FUND

In November 2004, the voters in Contra Costa passed Measure J, an extension of the County-wide half-percent sales tax with a 71% approval rate. This extension will begin on April 1, 2009 and will end on March 31, 2034. The Authority is responsible for carrying out the provisions of Measure J. The Measure J Fund was established to record financial activities associated with the projects and programs in the Measure J expenditure plan.

DEBT SERVICE FUNDS

These funds account for resources used to service the Authority's governmental long-term debt.

CONTRA COSTA TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008
(in thousands)

	General Fund	Streets and Roads Fund	Measure J Fund	1993 Debt Service Fund	2000 Debt Service Fund	2002 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Restricted cash and investments (Note 3)	$55,317	$16,014	$13,944	$6,938	$7,422	$2,648	$2,429	$104,712
Receivables:								
Sales tax	12,287							12,287
Interest	582						8	590
Intergovernmental	4,835		6					4,841
Due from other funds (Note 4A)	465		21					486
Advances to other funds (Note 4B)	3,739							3,739
Total Assets	$77,225	$16,014	$13,971	$6,938	$7,422	$2,648	$2,437	$126,655
LIABILITIES								
Accounts payable	$9,263	$16,014	$2,110				$826	$28,213
Due to other funds (Note 4A)	21						465	486
Accrued employee benefits	417							417
Advances from other funds (Note 4B)			3,739					3,739
Commercial paper (Note 6)			43,900					43,900
Total Liabilities	9,701	16,014	49,749				1,291	76,755
FUND BALANCES								
Fund balance (Note 12)								
Reserved fund balances:								
Air quality							1,522	1,522
Transportation projects	63,553							63,553
Paratransit projects	379							379
Debt service				$6,938	$7,422	$2,648		17,008
Advances to Measure J Fund	3,739							3,739
Unreserved (deficit) reported in:								
General Fund	(147)							(147)
Measure J Fund			(35,778)					(35,778)
Special Revenue Funds							(376)	(376)
Total Fund Balances(Deficit)	67,524		(35,778)	6,938	7,422	2,648	1,146	49,900
Total Liabilities and Fund Balances (Deficit)	$77,225	$16,014	$13,971	$6,938	$7,422	$2,648	$2,437	

Amounts reported for Governmental Activities in the Statement of
Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds	76
LONG TERM ASSETS AND LIABILITIES	
The liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Net OPEB Asset	1,102
Long-term debt and interest payable	(33,465)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$17,613

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	General Fund	Streets and Roads Fund	Measure J Fund	1993 Debt Service Fund	2000 Debt Service Fund	2002 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES								
Sales tax	$74,680							$74,680
Investment income	3,615		$825	$463	$192	$179	$67	5,341
Federal Demonstration (SR4 E - Sommersville)	2,346							2,346
Federal Congestion Mitigation (CMAQ)	70		171					241
Federal Surface Transportation Program (CMA)	495							495
Federal Surface Transportation Program - T - Plus	143							143
Traffic Congestion Relief Program (Caldecott)	1,069							1,069
State Planning, Programming, and Monitoring (PPM)	390		17					407
StateTransportation Improvement Program (Caldecott)	2,000							2,000
Regional Measure 2 (Caldecott)	3,618							3,618
Regional Measure 2 (SR 4E - e-BART)	745							745
Regional Measure 2 (I-680 study)	39							39
Contributions from CMA member agencies	91							91
Motor Vehicle Registration Surcharge (TFCA)							1,364	1,364
Escrow A/C Earnings & Rental Income	170							170
TVTD 80% (Danville) I - 80	2,500							2,500
Proceeds from Sale of Excess Right-of-Way	23							23
Miscellaneous revenue	1							1
Total Revenues	91,995		1,013	463	192	179	1,431	95,273
EXPENDITURES								
Administration:								
Salaries and employee benefits	569							569
Services, supplies and capital outlay	1,120							1,120
Contributions to other agencies	2							2
Project management:								
Salaries and employee benefits	790							790
Services, supplies and capital outlay	5							5
Programs:								
Streets and roads		$13,442						13,442
Carpools, vanpools							1,366	1,366
Paratransit	2,676							2,676
Bus transit and improvements	3,745							3,745
Transportation projects:								
Highways and arterials	25,005		18,692					43,697
Transit	7,615							7,615
Trails	32							32
Regional planning:								
Salaries and employee benefits	448							448
Services, supplies and capital outlay	760							760
Congestion management:								
Salaries and employee benefits	753							753
Services, supplies and capital outlay	207							207
Transportation demand management:								
Salaries and employee benefits	87							87
Services, supplies and capital outlay	1							1
Contributions to other agencies	993							993
Transportation Planning Land Use Solutions:								
Salaries and employee benefits	9							9
Contributions to other agencies	242							242
Debt Service:								
Principal				18,465	5,155	7,330		30,950
Interest and related fees			668	2,281	209	597		3,755
Total Expenditures	45,059	13,442	19,360	20,746	5,364	7,927	1,366	113,264
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	46,936	(13,442)	(18,347)	(20,283)	(5,172)	(7,748)	65	(17,991)
OTHER FINANCING SOURCES (USES)								
Transfers in (Note 4C)	1,050	13,442		20,248	5,422	7,731	894	48,787
Transfers (out) (Note 4C)	(47,737)						(1,050)	(48,787)
Total other financing source (uses)	(46,687)	13,442		20,248	5,422	7,731	(156)	
NET CHANGE IN FUND BALANCES	249		(18,347)	(35)	250	(17)	(91)	(17,991)
BEGINNING FUND BALANCES (DEFICIT)	67,275		(17,431)	6,973	7,172	2,665	1,237	67,891
ENDING FUND BALANCES (DEFICIT)	$67,524		($35,778)	$6,938	$7,422	$2,648	$1,146	$49,900

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	($17,991)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are added back to fund balance	23
Depreciation expense is deducted from fund balance	(29)
LONG TERM DEBT PAYMENTS	
Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Fund balance is increased by the amount of debt repayment and refunding	30,950
NON-CURRENT ITEMS	
The amount below included in the Statement of Activities does not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Net OPEB asset	1,102
Interest payable	934
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Assets - All Internal Service Funds	(900)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$14,089

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales tax	$76,585	$73,850	$74,680	$830
Investment income	1,925	2,500	3,615	1,115
Federal Demonstration (SR4 E - Sommersville)	2,760	2,760	2,346	(414)
Federal Congestion Mitigation (CMAQ)	70	70	70	
Federal Demonstration (SR 4E - SR160)	1,400			
Federal Surface Transportation Program (CMA)	595	445	495	50
Federal Surface Transportation Program - T-Plus	400	240	143	(97)
Traffic Congestion Relief Program (Caldecott)	4,500	1,069	1,069	
State Planning, Programming, and Monitoring (PPM)	225	96	390	294
State Transportation Improvement Program (SR4 E - SR 160)		7,400		(7,400)
State Transportation Improvement Program (Caldecott)		2,000	2,000	
Regional Measure 2 (Caldecott)	965	4,891	3,618	(1,273)
Regional Measure 2 (SR 4E - e-BART)	850	1,150	745	(405)
Regional Measure 2 (I-680 Study)	546	546	39	(507)
Regional Measure 2 (e-BART)		50		(50)
Contributions from CMA member agencies	90	90	91	1
Escrow A/C Earnings & Rental Income	140	100	170	70
TVTD 80% (Danville) I - 80	2,500	2,500	2,500	
Proceeds from Sale of Excess Right-of-Way	100		23	23
Miscellaneous revenue	200	2	1	(1)
Total Revenues	93,851	99,759	91,995	(7,764)
EXPENDITURES				
Administration:				
Salaries and employee benefits	676	676	569	107
Services, supplies and capital outlay	1,461	1,461	1,120	341
Contributions to other agencies	8	8	2	6
Project management:				
Salaries and employee benefits	1,138	1,129	790	339
Services, supplies and capital outlay	47	47	5	42
Programs:				
Paratransit	2,684	2,684	2,676	8
Bus transit and improvements	3,745	3,745	3,745	
Transportation projects:				
Highways and arterials	28,946	34,255	25,005	9,250
Transit	12,895	12,163	7,615	4,548
Trails	301	176	32	144
Regional planning:				
Salaries and employee benefits	531	524	448	76
Services, supplies and capital outlay	1,294	1,294	760	534
Contributions to other agencies		20		20
Congestion management:				
Salaries and employee benefits	788	788	753	35
Services, supplies and capital outlay	267	351	207	144
Transportation demand management:				
Salaries and employee benefits	153	153	87	66
Services, supplies and capital outlay	7	7	1	6
Contributions to other agencies	1,390	1,390	993	397
Transportation Planning Land Use Solutions:				
Salaries and employee benefits	28	28	9	19
Contributions to other agencies	400	400	242	158
Total Expenditures	56,759	61,299	45,059	16,240
EXCESS OF REVENUES OVER EXPENDITURES	37,092	38,460	46,936	8,476
OTHER FINANCING SOURCES (USES)				
Transfers in	1,416	1,416	1,050	(366)
Transfers (out)	(48,642)	(48,249)	(47,737)	512
Total Other Financing Sources (Uses)	(47,226)	(46,833)	(46,687)	146
NET CHANGE IN FUND BALANCE	($10,134)	($8,373)	249	$8,622
BEGINNING FUND BALANCE			67,275	
ENDING FUND BALANCE			$67,524	

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
STREETS AND ROADS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
EXPENDITURES				
Programs:				
Streets and roads	$13,785	$13,293	$13,442	($149)
Total Expenditures	13,785	13,293	13,442	(149)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,785)	(13,293)	(13,442)	(149)
OTHER FINANCING SOURCES				
Transfers in	13,785	13,293	13,442	149
Total Other Financing Sources	13,785	13,293	13,442	149
NET CHANGE IN FUND BALANCE				
BEGINNING FUND BALANCE				
ENDING FUND BALANCE				

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
MEASURE J FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUE				
Investment income		$850	$825	($25)
Federal Congestion Mitigation (CMAQ)	$360	360	171	(189)
State planning, programming, and monitoring	75	11	17	6
City of San Pablo (I-80 Match)		250		(250)
Total revenue	435	1471	1013	(458)
EXPENDITURES				
Transportation projects:				
Highways and arterials	48,061	27,948	18,692	9,256
Debt Service:				
Interest and other fiscal charges	532	532	668	(136)
Total Expenditures	48,593	28,480	19,360	9,120
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(48,158)	(27,009)	(18,347)	8,662
NET CHANGE IN FUND BALANCE	($48,158)	($27,009)	(18,347)	$8,662
BEGINNING FUND BALANCE (DEFICIT)			(17,431)	
ENDING FUND BALANCE (DEFICIT)			($35,778)	

See accompanying notes to financial statements

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PROPRIETARY FUND TYPES – INTERNAL SERVICE FUND

RETIREE HEALTH BENEFITS INTERNAL SERVICE FUND

The Retiree Health Care Fund was established to record the amounts set aside by the Authority to fund health care costs for Authority retirees.

CONTRA COSTA TRANSPORTATION AUTHORITY
RETIREE HEALTH BENEFITS
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2008
(in thousands)

ASSETS	
Current Assets:	
Restricted cash and investments (Note 3)	$0
Total Assets	0
NET ASSETS	
Unreserved - Designated for Other Post Employment Benefits	0
Total Net Assets	$0

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
RETIREE HEALTH BENEFITS
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

OPERATING REVENUES	
Interdepartmental charges	$225
Total Operating Revenues	225
OPERATING EXPENSES	
OPEB Contribution (Note 9)	1,125
Total Operating Expenses	1,125
Change in Net Assets	(900)
BEGINNING NET ASSETS	900
ENDING NET ASSETS	$0

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
RETIREE HEALTH BENEFITS
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Interdepartmental receipts	$225
OPEB contribution	(1,125)
Cash Flows from Operating Activities	(900)
Net Cash Flows	(900)
Cash and investments at beginning of period	900
Cash and investments at end of period	
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	$225
Adjustments to reconcile operating income to net cash flows from operating activities:	
OPEB contribution	(1,125)
Cash Flows from Operating Activities	($900)

See accompanying notes to financial statements

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The Contra Costa Transportation Authority (the Authority) was established in 1988 when Contra Costa voters passed a 20-year, one-half of one percent (½%) sales tax for specified transportation purposes. In 2004, the voters of Contra Costa extended the one-half of one percent countywide transportation sales tax through 2034.

Measure C, passed in November 1988, officially authorized the imposition of the ½% countywide sales tax, the proceeds of which are principally reserved for highway improvements, local transportation improvements, transit funding, growth management, and regional planning purposes in the County. The Measure C ½% sales tax commenced April 1, 1989 and will expire on March 31, 2009. The Measure J ½% sales tax will begin April 1, 2009 and remain in effect until March 31, 2034.

The sales tax revenues received by the Authority under Measure C, after deducting certain administrative costs, are to be spent for programs as set forth in the expenditure plan included in Measure C. All revenues, including interest and other revenues, not designated by Measure C for a specific purpose (see Sales Taxes discussion below) are to be spent on capital projects set forth in the expenditure plan. The Authority may, under certain circumstances, amend the original expenditure plan. However, any amendments must be for other transportation related projects.

The Authority has been designated by the cities in Contra Costa County and the County (collectively, the Members) as the Congestion Management Agency (CMA) for the County pursuant to provisions of Senate Constitutional Amendment 1, approved by the voters of the State in June 1990, thereby being charged with the statutory obligation to carry out congestion management responsibilities for Contra Costa County. In 1992, the Authority amended Measure C by ordinance to permit expenditures associated with the CMA to be eligible General Fund expenditures under Measure C, as defined in the expenditure plan. The CMA Members are required to reimburse the Authority for expenditures as approved by the Board.

The Authority has also been designated by the CMA Members to be the recipient of funds generated from the motor vehicle registrations surcharge collected by the Bay Area Air Quality Management District (the Air Quality District) for programs to reduce air pollution from motor vehicles. The Authority anticipates that all expenditures incurred for the Air Quality District program will be reimbursed by the Air Quality District.

The basic financial statements of the Authority include all of its financial activities. The Authority is the sole independent entity responsible for receiving and allocating funds necessary to complete the programs and is governed by an eleven-member board comprised of representatives who are elected officials from the County and local cities.

The financial statements and accounting policies of the Authority conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below.

B. *Sales Taxes*

The Authority recognizes taxpayer-assessed revenues such as Sales Taxes, net of estimated refunds, in the accounting period in which they become susceptible to accrual, which means when the revenues become both measurable and available to finance expenditures of the current fiscal period.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales tax receivables represent sales tax receipts in the two months subsequent to the Authority's fiscal year-end relating to the prior year's sales activity. The Authority has contracted with the California State Board of Equalization for collection and distribution of the ½% sales tax. The Board of Equalization receives an administrative fee for providing this service. The Authority records all sales tax revenues net of such fees in the General Fund.

Under the provisions of Measure C and policies adopted by the Authority, portions of net sales taxes are required to be expended on certain programs and activities. Specifically, 18% of net sales tax revenues are to be used for local street maintenance and improvements and 1% is to be used for commuter alternative programs, including carpools, vanpools and park and ride lots. These programs are accounted for in the Streets and Roads Special Revenue Fund and Carpool, Vanpool Special Revenue Fund, respectively. Transfers from the General Fund to the Special Revenue Funds are made in the year the related sales tax revenue is recorded.

The Authority also transfers sales tax revenues to Debt Service Funds, on a monthly basis, to cover interest and principal expenditures.

In addition, under a slightly different designation in Measure C, 4.9% of sales taxes are to be used to increase the use of public transit, and increase the efficiency and coordination among transit agencies, and 2.97% of sales tax revenues are to be used to provide improved transit service for the elderly and handicapped. These programs are accounted for in the General Fund and any fund balances remaining at year-end are reported in the General Fund as Reserved for Bus Transit and Reserved for Paratransit projects, respectively.

C. *Basis of Presentation*

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the Authority). Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority'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 (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as non-major funds.

D. Major Funds

The Authority's major governmental funds are required to be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to ten percent of the total. The General Fund is always a major fund. The Authority has elected to treat all debt service funds as major funds.

GENERAL FUND - The *General Fund* is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. All sales tax revenues are recorded in the General Fund. All intergovernmental revenue is recorded in the General Fund, except for those restricted funds required to be recorded in Special Revenue Funds. Transfers of sales tax revenues to Special Revenue Funds are made in accordance with the provisions of Measure C as discussed above. The Authority also transfers sales tax revenues to Debt Service Funds, on a monthly basis, to cover interest and principal coming due. General Fund expenditures include salaries and benefits of the Authority's staff. Salaries and benefits for administration are limited by Measure C (as defined) to one percent of the sales tax revenue on an annual basis.

STREETS AND ROADS SPECIAL REVENUE FUND - This Fund is used by the Authority to account for the accumulation of resources required to be allocated to local cities and the County for local transportation improvements, including streets and roads. Monies are disbursed to the local agencies upon compliance with certain provisions included in Measure C.

MEASURE J FUND – In November 2004 the voters in Contra Costa passed Measure J, an extension of the county-wide half-percent sales tax. This extension will begin on April 1, 2009 and will end on March 31, 2034. The Authority is responsible for carrying out the provisions of Measure J. The Measure J (General) Fund was established to record financial activities associated with the projects and programs in the Measure J expenditure plan.

DEBT SERVICE FUNDS - These funds account for resources used to service the Authority's governmental long-term debt.

NON-MAJOR FUNDS

The Authority has other governmental funds discussed below which were determined to be non-major funds and are presented in the Supplemental Section of this report.

In addition to the Streets and Road Special Revenue Fund discussed above, other *Special Revenue Funds* are used by the Authority to account for the accumulation and expenditure of restricted resources. These Special Revenue Funds include:

The Carpool, Vanpool Special Revenue Fund which accounts for the portion of sales taxes to be used for commuter alternative programs, including carpools, vanpools and park and ride lots.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Air Quality Special Revenue Fund which accounts for funds received from the Air Quality District to be used for programs to reduce air pollution from motor vehicles. Resources are transferred to the General Fund as expended.

RETIREE HEALTH CARE INTERNAL SERVICE FUND - The Retiree Health Care Fund was established to record the amounts set aside by the Authority to fund future health care costs for Authority retirees.

E. Basis of Accounting

The government-wide financial statements and internal service fund statements are reported using the *economic resources measurement focus* and the full *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.

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*. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Authority may fund projects with a combination of cost-reimbursement grants, advances, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance expenditures. The Authority's strategy is to first apply restricted grant resources to such activities, followed by general revenues if necessary.

F. Return of Funds from Local Agencies

Return of funds from local agencies represents amounts determined to be owed to the Authority based on final reconciliation of project costs, or as a result of Measure C compliance audits commissioned by the Authority. There were no returns of funds from local agencies during the year ended June 30, 2008.

G. Compensated Absences

Compensated absences comprise unpaid vacation and sick leave which are accrued as earned. The Authority's liability for compensated absences is recorded in the Authority's Governmental Activities.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Use of Management Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. Rounding

All amounts included on the basic financial statements, combining statements, footnotes and schedules are presented to the nearest thousands in accordance with the Authority's policy.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Executive Director or his or her designee submits a proposed operating budget to the Authority Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Prior to adoption of the final budget, public hearings are conducted to obtain taxpayer comments.

3. The budget is legally enacted by the Authority Board.

4. All budget adjustments must be approved by the Authority Board. Expenditures may not legally exceed the levels as specified in the budget control resolution.

5. Formal budgetary integration is employed as a management control device during the year for all funds.

6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Overages in any particular budget expenditures category (organizational unit) must receive an approved budget change adjustment by the Authority for the following conditions: for capital project expenditures, if expenditures are expected to exceed the budget by $10,000 or five percent, whichever is greater; for all other expenditures, if expenditures are projected to exceed the budget for the budgetary category by $5,000 or five percent, whichever is greater.

The Authority has also adopted a Strategic Plan which determines availability of funds for projects and is used as a guide for project appropriations. The plan is normally updated every two to three years, and is used in the development of the annual budget. A project management appropriation and expenditure tracking system is used for budgetary and financial control. The Authority issued the 2005 Strategic Plan in May 2005, and the most recent amendment to the Strategic Plan was adopted by the Authority in February 2008.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

A. Excess of Expenditures over Appropriations

The Streets and Roads Special Revenue Fund incurred expenditures in excess of budget in the amount of $149 thousand. These excesses were the result of expenditures budgeted in the prior year and not carried forward, however, sufficient resources were available within the funds to finance these excesses.

NOTE 3 - CASH AND INVESTMENTS

The Authority pools cash from all sources and funds except cash and investments with Trustees so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Each fund's portion of the pool is displayed on the combined balance sheet as "Restricted cash and investments." All cash and investments of the Authority are restricted as to their use.

The Authority records investment transactions on the trade date. Investments are reported at fair value. Fair value is defined as the amount that the Authority could reasonably expect to receive for an investment in a current sale between a willing buyer and seller, and is generally measured by quoted market prices. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds. Investment income from cash and investments with trustees is credited directly to the related fund.

A. Carrying Amount and Fair Value

Cash and investments are carried at fair value and are categorized as follows at June 30, 2008 (in thousands):

	Available for Operations	Debt Service Reserve	Total
U.S. Treasury Notes	$7,084		$7,084
U.S. Government-Sponsored Agency Securities	23,819	$4,543	28,362
Money Market Funds with Trustee			
(Investing in U.S. Treasury securities)		4,712	4,712
Medium-Term Corporate Notes	996		996
Contra Costa County Treasurer's Pool	11,280		11,280
Local Agency Investment Fund	7,563		7,563
Guaranteed Investment Contract		2,524	2,524
California Asset Management Program	36,758	5,229	41,987
Total Investments	87,500	17,008	104,508
Cash in Bank and Cash with Trustee	204		204
Total Cash and Investments	$87,704	$17,008	$104,712

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Authorized Investments by the Authority

The Authority has contracted with Public Financial Management to serve as the Authority's investment advisor. The Authority has adopted a written Investment Policy which is more restrictive than State law as to terms of maturity, credit quality and type of investment. The Authority's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority. The following also identifies certain provisions of the Authority and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This does not address the Authority's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's Investment Policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Obligations (A)	5 years	N/A	None	None
Repurchase Agreements	90 days	N/A	None	None
Reverse Repurchase Agreements (requires Authority approval)	92 days	N/A	20% of the base value	None
State of California Obligations	5 years	Highest 2 rating categories	None	None
CA Local Agency Obligations	5 years	Highest 2 rating categories	None	None
Bankers Acceptances	180 days	Highest rating category	40%	Greater of 10% of portfolio or $1 million
Commercial Paper	270 days	A1	20%	Lesser of 10% of portfolio or $1 million
Medium Term Corporate Notes	5 years	AA	30%	Greater of 10% of portfolio or $1 million
Mortgage Pass-Through Securities	5 Years	AA	10%	None
Insured or Collateralized Bank Deposits	N/A	N/A	None	None
Negotiable Certificates of Deposit	5 years	AA	30%	Greater of 10% of portfolio or $1 million
California Local Agency Investment Fund	Upon Demand	N/A	$40,000,000 per account	$40,000,000 per account
Contra Costa County Treasurer's Pool	Upon Demand	N/A	None	None
California Asset Management Program	N/A	N/A	None	None
Money Market Mutual Funds	N/A	Highest rating category	15%	5%

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. *Authorized Investments by Debt Agreements*

The Authority is required to maintain certain amounts of cash and investments in separate accounts or with trustees under the terms of debt issues. These funds are pledged as reserves to be used if the Authority fails to meet its obligations under the debt issues.

The California Government Code requires these funds to be invested in accordance with the underlying Authority ordinance, bond indentures or State statute. The following identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Obligations (A)	5 years	N/A	None	None
Repurchase Agreements	90 days	N/A	None	None
Reverse Repurchase Agreements (requires Authority approval)	92 days	N/A	20% of the base value	None
State of California Obligations	5 years	AAA	None	None
CA Local Agency Obligations	5 years	AAA	None	None
Bankers Acceptances	180 days	N/A	40%	Greater of 10% of portfolio or $1 million
Commercial Paper	180 days	A1	20%	10% of outstanding paper
Medium Term Corporate Notes	5 years	AA	30%	Greater of 10% of portfolio or $1 million
Mortgage Pass-Through Securities	5 Years	AA	10%	None
Collateralized Bank Deposits	N/A	N/A	None	None
Negotiable Certificates of Deposit	5 years	AA	30%	Greater of 10% of portfolio or $1 million
California Local Agency Investment Fund	N/A	N/A	None	None
Contra Costa County Treasurer's Pool	N/A	N/A	None	None
California Asset Management Program	N/A	N/A	None	None
Money Market Mutual Funds	N/A	A	15%	None
Investment Agreements	N/A	Equal to Bond Ratings	None	None

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution to the Authority's investments by maturity (in thousands):

Investment Type	Less than 1 year	One to Five Years	Total
U. S. Treasury Notes	$1,520	$5,564	$7,084
U.S. Government-Sponsored Agency Securities			
Non-callable	24,262	4,100	28,362
Medium-Term Corporate Notes	996		996
Guaranteed Investment Contract	2,524		2,524
Money Market Funds with Trustee	4,712		4,712
Contra Costa County Treasurer's Pool	11,280		11,280
Local Agency Investment Fund	7,563		7,563
California Asset Management Program	41,987		41,987
Total Investments	$94,844	$9,664	104,508
Cash in Bank and Cash with Trustee			204
Total Cash and Investments			$104,712

E. *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the Authority's investment policy, or debt agreements and the actual rating as of June 30, 2008 for each investment type (in thousands):

Investment Type	AAA	AAAf	AAAm	AA-	A-1+	Total
U.S. Government-Sponsored Agency Securities						
Non-callable	$23,819				$4,543	$28,362
Medium-Term Corporate Notes				$996		996
Money Market Funds with Trustee	4,712					4,712
California Asset Management Program			$41,987			41,987
Contra Costa County Treasurer's Pool		$11,280				11,280
Totals	$28,531		$41,987	$996	$4,543	87,337
Not rated:						
Guaranteed Investment Contract						2,524
Local Agency Investment Fund						7,563
Exempt from rating requirement:						
U.S. Treasury Notes						7,084
Total Investments						104,508
Cash in Bank and Cash with Trustee						204
Total Cash and Investments						$104,712

NOTE 3 - CASH AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Entity-wide investments are as follows at June 30, 2008 (in thousands).

Reporting Unit	Issuer	Investment Type	Reported Amount
Government-wide	FHLB	U.S. Government-Sponsored Agency Securities	$8,872
	FNMA	U.S. Government-Sponsored Agency Securities	7,809
	FHLMC	U.S. Government-Sponsored Agency Securities	7,128
Major Funds:			
General Fund	FHLB	U.S. Government-Sponsored Agency Securities	6,596
	FNMA	U.S. Government-Sponsored Agency Securities	5,543
	FHLMC	U.S. Government-Sponsored Agency Securities	7,128
1993 Debt Service Fund	FHLB	U.S. Government-Sponsored Agency Securities	1,639
	FNMA	U.S. Government-Sponsored Agency Securities	1,631
2000 Debt Service Fund	GIC	Guaranteed Investment Contract	2,524
2002 Debt Service Fund	FHLB	U.S. Government-Sponsored Agency Securities	637
	FNMA	U.S. Government-Sponsored Agency Securities	636

G. Local Authority Investment Fund (LAIF) & Contra Costa County Treasurer's Investment Pool

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The County of Contra Costa Treasurer's Investment Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27134. The value of the pool shares in LAIF and the Contra Costa County Treasurer's Investment Pool which may be withdrawn on demand is determined on an amortized cost basis, which is not materially different than the fair value of the Authority's position in the pools.

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues or as a result of transactions recorded by Authority staff after the County closes the Authority's books. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. At June 30, 2008, the General Fund was owed $465 thousand from the Air Quality Special Revenue Fund and the General Fund owed $21 thousand to the Measure J Special Revenue Fund.

NOTE 4 - INTERFUND TRANSACTIONS - Continued

B. *Interfund Advance*

In fiscal 2006, the Authority's General Fund advanced $1.5 million to the Measure J Fund to finance commitment and advisory fees pursuant to swap agreement commitments. During fiscal 2007, the advance was increased by $700 thousand, for a total of $2.2 million. During fiscal 2008, the advance was increased by another $1.5 million, for a total of $3.7 million. The advance bears interest computed based on the rate earned by the Authority on its investment in the Local Authority Investment Fund (LAIF). Repayment is expected when the Authority issues the Measure J Bonds in 2009.

C. *Transfers Between Funds*

With Board approval, as required under Measure C or under the terms of the Authority's debt issues, resources are transferred from one Authority fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund. Interfund transfers for the year ended June 30, 2008 were as follows (in thousands):

Fund Receiving Transfer	Fund Making Transfer	Purpose	Amount Transferred
General Fund	Air Quality Special Revenue Fund	(A)	$1,050
Special Revenue Funds:			
Street and Roads	General Fund	(B)	13,442
Carpool, Vanpool	General Fund	(C), (D)	894
Debt Service Funds:			
1993	General Fund	(E)	20,248
2000	General Fund	(E)	5,422
2002	General Fund	(E)	7,731
	Total		$48,787

Purposes of Transfers:
(A) Transfer Air Quality resources to fund programs to reduce air pollution from motor vehicles.
(B) Transfer 18% of sales tax revenues to be used for local streets and road projects.
(C) Transfer 1% of sales tax revenues to be used for commuter alternative programs, including carpools, vanpools and park and ride lots.
(D) Transfer to fund regional rideshare program.
(E) Transfers sales tax revenues used for debt service.

NOTE 5 - CAPITAL ASSETS

A. Capital Assets Contributed to Other Entities

The Authority is required to exclude from its financial statements assets contributed to and maintained by other governments or organizations. The Authority has constructed a variety of capital projects consisting of streets and road and other transportation infrastructure projects, which upon completion were "contributed" to its Members, the State, or other governments responsible for their maintenance and care. Since those other agencies maintain the contributed capital assets, the cost of those assets has been excluded from the accompanying financial statements. This concept is followed regardless of whether infrastructure is financed with revenues or long term debt. As of June 30, 2008, the Authority owed $32.5 million which has been used along with operating revenues to finance a total of $693.2 million in such infrastructure capital asset project costs since the Authority's inception.

B. Authority Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets with limited useful lives are required to be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned a useful life of three to five years for Office Equipment and ten years for Leasehold Improvements.

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. Contributions are required to be accounted for as revenues at the time the capital assets are contributed.

NOTE 5 - CAPITAL ASSETS (Continued)

The Authority's capital assets comprise the following at June 30, 2008 (in thousands):

	Balance at June 30, 2007	Additions	Retirements	Balance at June 30, 2008
Cost:				
Office Equipment	$92	$23	($2)	$113
Leasehold Improvement's	82			82
Subtotal	174	23	(2)	195
Accumulated Depreciation:				
Office Equipment	(43)	(21)	2	(62)
Leasehold Improvement's	(49)	(8)		(57)
Subtotal	(92)	(29)	2	(119)
Capital Assets, net of accumulated depreciation	$82	($6)		$76

NOTE 6 – COMMERCIAL PAPER

On August 3, 2007, the Authority authorized the establishment of a commercial paper program to provide short term financing of Measure J projects. Under this program, the principal amount of outstanding commercial paper may not exceed $85 million at any one time and proceeds are restricted to Measure J projects and debt service from this program. Commercial paper is to be issued at prevailing interest rates, which may not exceed 12% for periods not more than 270 days from the date of issue. Commercial paper is expected to be repaid with future Measure J sales tax revenues and/or proceeds from the issuance of long term Measure J Bonds.

To provide liquidity for the program, the Authority is required to maintain a liquidity support agreement (line of credit) with a commercial bank. Outstanding commercial paper and related accrued interest cannot exceed the amount of this agreement. Drawings under the agreement are restricted to pay maturing commercial paper and accrued interest.

Concurrently with the establishment of this program, the Authority authorized the issuance of $43.9 million principal amount of Subordinate Sales Tax Revenue Tax Exempt Commercial Paper Notes (Limited Tax Bonds), Series A. Pursuant to the support liquidity requirement, the Authority has obtained a direct draw letter of credit in the amount of $47.8 million which expires the earlier of October 1, 2009, or upon repayment of commercial papers issue under this program.

The Authority refinances Commercial Paper as it matures, paying outstanding balances with proceeds from new issues. During fiscal 2007-08, new issues amounted to $224 million and maturities amounted to $180.1 million. At June 30, 2008 the principal amount of Commercial Paper outstanding is $43.9 million.

NOTE 7 - LONG TERM DEBT

A. *Long Term Debt Outstanding*

The Authority issued the debt summarized below to finance or refinance certain infrastructure capital assets contributed to other governments (See Note 5) (in thousands).

	Balance June 30, 2007	Retirements	Balance June 30, 2008 Due within one year
1993 Series A Limited Tax Bonds, 5.5% - 6.0%, due 2009	$38,015	$18,465	$19,550
2000 Series A Junior Lien, Sales Tax Revenue Bonds, Variable Rate, repaid 10/1/08	10,480	5,155	5,325
2002 Series A Limited Tax Bonds 4%, due 2009	14,935	7,330	7,605
Long-term debt	$63,430	$30,950	$32,480

In June 1993, the Authority issued $230 million principal amount of **1993 Series A Limited Tax Bonds**, which bore a variable interest rate to finance certain transportation projects defined in the Expenditure plan. In March 12, 1996, the Authority converted the interest rate to fixed rates. Interest payments are made semiannually on March 1 and September 1 and principal payments are made annually on March 1. The 1993 Bonds are limited obligations of the Authority, and are payable from and secured by sales tax revenues received by the Authority.

In December 2000, the Authority issued $25 million principal amount of **2000 Series A Junior Lien Sales Tax Revenue Bonds** sponsored by the California Transit Finance Authority (CTFA) pursuant to a project financing agreement. The 2000 Bonds were issued to finance certain costs relating to the acquisition, construction, improvement and equipping of public transportation facilities. The 2000 Bonds are special obligations of the Authority, which are payable from and secured by sales tax revenue subordinated to the outstanding 1993 and 2000 Bonds. The 2000 Bonds mature serially, October 1, 2004 through October 1, 2008, and bear a variable rate of interest not to exceed 12%. At June 30, 2008 the interest rate was 1.60%.

Interest rates on the 2000 Bonds are reset periodically, using the "put" mechanism described below. The 2000 Bonds are periodically subject to repurchase at par, referred to as a "put". Once a put occurs, a remarketing agent resells the 2000 Bonds at par by setting new interest rates and repurchase dates. Acting on behalf of the Authority and other participants in the 2000 Bond issue, CTFA has obtained an irrevocable stand-by purchase agreement to be used in the event the remarketing agent is unable to resell any 2000 Bonds, and to ensure neither the Authority nor other participants will be required to repurchase the 2000 Bonds before they mature. This purchase agreement is effective through the life of the 2000 Bonds. The Authority paid $10 thousand in purchase agreement fees during the year ended June 30, 2008.

NOTE 7 - LONG TERM DEBT (Continued)

The pledge of future sales tax revenues for the 2000 bonds ends upon repayment of the $5.346 million in remaining debt service on the Authority's outstanding bonds which is scheduled to occur in 2009. For fiscal year 2008, sales tax revenues amounted to $74.680 million which represented coverage of 13.96 over the $5.348 in debt service.

In July 2002, the Authority issued $28.765 million principal amount of **2002 Series A Refunding Bonds, (Limited Tax Bonds)**. Net proceeds amounting to $29.765 million from the 2002 Bonds plus an additional $637 thousand of 1995 Bond monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 Bonds. The 1995 Bonds were called for redemption as of June 30, 2005.

The pledge of future sales tax revenues for the 1993 and 2002 bonds ends upon repayment of the $28.632 million in remaining debt service on the Authority's outstanding bonds which is scheduled to occur in 2009. As disclosed in the originating offering documents, pledged future sales tax revenues are expected to provide coverage over debt service of 3.04 over the life of the long term debt. For fiscal year 2008, sales tax revenues amounted to $74.680 million which represented coverage of 2.60 over the $28.673 in debt service.

Repayments of all long-term debt obligations are funded from the general revenues of the Authority. The Authority used a 1.60% interest rate to estimate interest maturities on variable rate bonds. Annual debt service requirements, on all the above debt at June 30, 2008 are as follows (in thousands):

Year Ending June 30	Total Principal	Total Interest
2009	$32,480	$1,499

In fiscal 1992-1993, unspent proceeds from 1991 Series A Sales Tax Revenue Bonds (1991 Bonds) and a portion of cash on hand from the Authority were used to defease the $200 million then outstanding principal balance of the 1991 Bonds. These moneys were placed in an irrevocable escrow and used to purchase US Government securities which mature in amounts sufficient to repay the remaining debt service due on the 1991 Bonds. As a result, the 1991 Bonds are considered defeased and the escrow and 1991 Bonds $19.6 million principal outstanding at June 30, 2008, have been excluded from the Authority's financial statements.

B. Authorized Long Term Debt Commitment – Measure J Bonds

Pursuant to planning for the implementation of the 2009 Measure J sales tax continuation, the Authority identified several projects which required significant amounts of funding prior to the receipt of Measure J sales taxes. In fiscal year 2006, the Authority Board authorized agreements related the issuance of $300 million principal amount of Measure J Variable Rate Bonds to fund these projects.

NOTE 7 - LONG TERM DEBT (Continued)

C. *Forward Swap Commitments*

In order to protect against itself against rising interest costs on the Bonds, the Authority entered into forward commitment interest rate swap agreements with Bank of America, N.A. and Merrill Lynch Capital Services, Inc. (Counterparties). An interest rate swap is a contractual agreement whereby the parties agree to exchange cash flows over a certain period of time. Beginning in 2009, the Authority will pay a fixed rate of 3.653% to the Counterparties, which are its swap counterparties, and the Counterparties will pay a floating rate to the Authority. The floating rate is expected to approximately equal the floating rate which the Authority will pay to the holders of its floating rate bonds, to be issued in 2009. Including anticipated ongoing fees associated with the floating rate bonds to be issued in 2009, the synthetic fixed rate which the Authority will pay is considered a very favorable rate in comparison with long term interest rates.

Although the 2009 Bonds are not yet issued, the original principal amount, scheduled maturities, effective issue date and maturity date are expected to match comparable terms of the Swap agreements. A summary of the terms of the Swap agreements and authorized but unissued Bonds are presented below:

	Counterparty		Authority
Term	Bank of America	Merrill Lynch Capital Services, Inc.	Proposed and Authorized Bond Issue
Notional Amount / Proposed Par Amount	$150 million	$150 million	$300 million
Effective Date / Proposed Issuance Date	September 23, 2009	September 23, 2009	September 23, 2009
Interest Swap:			
Basis of interest payments due from Authority			
Fixed Rate on Notional Amount	3.653%	3.653%	
Basis of interest receipts due from Counterparty			
Floating Rate on Notional Amount			
% of 1 month LIBOR			
(London Interbank Offered Rate)	63.50%	63.50%	
Additional Basis Point	29 (0.29%)	29 (0.29%)	
Basis of Variable Interest on the Bonds			Basis to be determined
Termination Date/Proposed Maturity Date	March 1, 2034	March 1, 2034	March 1, 2034
Credit Rating	Aaa/AA+/AA	Aaa/AAA/AAA*	AAA **
Swap Insurer	Ambac Assurance Corporation	Ambac Assurance Corporation	

*Under the terms of the Swap agreement, this rating relates to the Merrill Lynch Derivate Products Subsidiary.

**The Authority has obtained insurance from AMBAC for the 2009 Bonds. AMBACs credit rating as of June 30, 2008 was AA which was reported above.

NOTE 7 - LONG TERM DEBT (Continued)

During 2004, Standard & Poor's introduced Debt Derivative Profile (DDP) scoring to provide a simple measure of the complexities of municipal debt-related derivatives by translating that exposure into an easily understandable measurement of risk and to enhance the transparency of municipal derivative structures. Scores range from a low risk score of 1 to a high risk score of 5. Although many factors are considered, scores primarily indicate an issuer's potential financial loss from debt derivatives, including swaps, due to early termination resulting from changes in credit worthiness or market conditions.

During fiscal 2005-2006, Standard & Poor's rated the Authority's Swap agreements an overall score of 1, the lowest risk score possible.

Risks associated with the Swap agreements and Bonds are summarized and discussed below:

Economic Risk - Interest rates in 2009 may be lower than the 3.653% synthetic interest rate.

Basis Risk – Floating rate receipts from the Counterparties may not correspond to or may be insufficient to cover the floating rate payments due on the Bonds. Basis risk may arise from a different methodology used to set the variable rate on the Bonds. Basis risk may also arise from variances in maturity dates and repayments of Bond principal and reductions of notional amounts on the Swap agreements.

Tax Risk - Tax risk results from uncertainty in future income tax law leading to a mismatch between the interest rate paid on the Authority's underlying Bonds and the rate received on the Swap agreements, that could be caused by a reduction in, or *elimination* of, the benefits of tax-exempt debt.

Credit (Counterparty) Risk – This is the risk that Counterparties could fail to make payments as specified under the Swap agreements. As of June 30, 2008, in the forward pre-issue period, the Swap Agreements had a negative fair market value of $5,385,763 to the Authority.

This fair market value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the Swaps.

Depending on the fair market value, the Authority could be further exposed to interest rate risk if a Counterparty defaults or if a Swap agreement is terminated. Under the terms of the Credit Support Annex (CSA), the posting of collateral by the Counterparties is a function of the credit rating of the Counterparty and threshold value. To reduce credit risk from the Authority's standpoint, the Swap agreement provisions are insured by AMBAC Assurance Corporation. No collateral was required to be pledged by the Counterparties at June 30, 2008.

Conversely, these collateralization provisions are bilateral and require the Authority to pledge collateral for the fair value of the Swap agreements should that fair value and credit ratings of the Authority and AMBAC fall below applicable thresholds. No collateral was required to be pledged by the Authority at June 30, 2008.

NOTE 7 - LONG TERM DEBT (Continued)

Termination Risk – The Authority or Counterparty may terminate the Swap agreements if the other party fails to perform under the terms of the respective Swap agreement. If either of the Swap agreements is terminated, the associated portion of the Bonds would no longer be hedged to a fixed rate. If at the time of termination the Swap agreement has a negative fair value, the Authority would be liable to the Counterparty for a termination payment equal to the Swap agreement's fair value.

NOTE 8 - PENSION PLAN

All Authority employees are eligible to participate in a pension plan offered by the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined-benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement *and* disability retirement benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. The Authority's employees participate in the CalPERS Miscellaneous Employee "2% at 55" Plan. Benefit provisions under the Plan are established by State statute and Authority resolution. Benefits are based on years of credited service, equal to one year of full-time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS; and the Authority must contribute the amounts specified by CalPERS. The Plan's provisions and benefits in effect at June 30, 2008 are summarized as follows:

	Miscellaneous
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefit factors, as a % of annual salary	1.426% - 2.418%
Required employee contribution rates	7%
Required employer contribution rates	13.272%

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Authority's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the Authority must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The Authority uses the actuarially determined percentages of payroll to calculate and pay contributions to CalPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CalPERS, for the years ended June 30, 2008, 2007 and 2006 amounted to $391 thousand, $330 thousand and $264 thousand, respectively. The Authority passed a resolution requiring it to pay employee contributions as well as its own.

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty-year period.

NOTE 8 - PENSION PLAN (Continued)

As required by State law, effective July 1, 2005, the Authority was required by CALPERS to join a new Statewide pool for smaller agencies. One of the conditions of entry to the pool was that the Authority true-up any unfunded liabilities in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The Authority satisfied its unfunded liability of $613,901 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 12 years.

The latest available actuarial values of the above State-wide pool (which differs from market value) and funding progress were set forth as follows. The information presented below relates to State-wide pools as a whole, of which the Authority is one participating employer.

CalPERS' latest available actuarial value (which differs from market value) and funding progress for the State-wide pool are set forth below at their actuarial valuation date of June 30, 2006 (in thousands):

Miscellaneous

	Actuarial					
Date	Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2004	$2,746,095,668	$2,460,944,656	$285,151,012	89.6%	$743,691,970	38.3%
2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
2006	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%

Audited annual financial statements and ten year trend information are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS

During fiscal year 2008, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing post employment benefits other than pensions (OPEB). The provisions of this Statement are applied prospectively and do affect prior years financial statements. Required disclosures are presented below.

By Board resolution and through agreements with its labor units, the Authority provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

The Authority pays health insurance premiums up to $439, $823, $1,042 for a retiree, couple, and family, respectively. As of June 30, 2008, four participants were eligible to receive benefits.

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2007 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.75% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 4.5% health inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The Authority's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 20 year amortization period.

In accordance with the Authority's budget, the annual required contribution (ARC) is to be funded through out the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the Authority Board passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of Authority Board. This Trust is not considered a component unit by the Authority and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2008, the Authority contributed the ARC amounting to $235 thousand to the Plan which represented 12.2% of the $1.9 million of covered payroll. The Authority also contributed additional funds to CERBT representing funds accumulated in prior years in the Authority's Internal Service Fund. As a result, the Authority has recorded the Net OPEB Asset, representing the difference between the ARC, the amortization of the Net OPEB Asset and actual contributions, as presented below: (in thousands).

Annual required contribution (ARC) and Annual OPEB cost	$235
Contributions made:	
Authority portions of current year premiums paid	212
Additional contributions to CERBT	1,125
Total contributions	1,337
Contributions in excess of the ARC	1,102
Net OPEB Asset at June 30, 2007	0
Net OPEB Asset at June 30, 2008	$1,102

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated January 1, 2007, amounted to $1.13 million and was unfunded since no assets had been transferred into CERBT as of that date. However, as of June 30, 2008, the Authority transferred additional contributions to CERBT which along with investment income totaled $1.078 million and reduced the unfunded actuarial accrued liability.

NOTE 10 – DEFERRED COMPENSATION PLAN

Authority employees may voluntarily defer a portion of their compensation under Authority-sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. The Executive Director also currently receives a 457 Plan contribution as part of his compensation agreement. Under these 457 Plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The Authority has no liability for any losses which may be incurred by the Plans and does not participate in any gains, but it does have the duty of due care that would be required of an ordinary prudent investor. The Authority has contracts with CalPERS and with Lincoln Financial Group to manage and invest the assets of the Plans. These administrators pool the assets of the Plans with those of other participants and do not make separate investments for the Authority. Plan assets are subject to agreements which incorporated changes in the laws governing deferred compensation plan assets and are held by a trust or for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the Authority's property and are not subject to claims by general creditors of the Authority, they have been excluded from these financial statements.

NOTE 11 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority manages and finances these risks by purchasing commercial insurance and has a $1 thousand deductible for general and special property liability with limits of $10 million and $350 million, respectively. The Authority has no deductible for workers compensation with a $1 million limit. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the Authority's commercial insurance coverages in any of the past three years.

As of June 30, 2008, the Authority had no material claims outstanding for general liability or for workers' compensation cases.

NOTE 12 – NET ASSETS AND FUND BALANCES

Net Assets is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the Authority assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include assets committed to fund construction commitments and debt service requirements.

Unrestricted describes the portion of Net Assets which is not restricted to use.

As of June 30, 2008, the Authority had net assets amounting to $17.6 million. This relatively small amount is a result of capital assets which are contributed or transferred to other governments upon completion since those entities are responsible for maintaining them. Authority management has estimated that since inception, the Authority has constructed $693.2 million in capital assets. These assets are reflected on other governments' financial statements in accordance with generally accepted accounting principles.

All long-term debt of the Authority is expected to be repaid from future sales tax revenues which will be recorded each month when received by the State Board of Equalization.

B. Fund Equity Deficits

The Measure J Special Revenue Fund had a deficit fund balance of $35.8 million, which is expected to be eliminated with future sales tax revenue funds and proceeds from the issuance of the Subordinate Sales Tax Revenue Tax Exempt Commercial Paper Notes (Limited Tax Bonds), Series A in fiscal year 2008-09.

The Carpool, Vanpool Special Revenue Fund had a fund balance deficit of $376 thousand. The deficit will be eliminated by future revenues.

The Bus Transit Program, which is reported in the General Fund, had a deficit program balance of $147 thousand. Disbursements of sales tax revenue from this program to other transit agencies are performed in advance based on projected eligible sales tax revenue. In fiscal year 2007-08, revenues did not meet the projection and the deficit program balance will be eliminated by future revenues.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

The Authority receives federal and State grant funds. The amounts, if any, of the Authority's grant expenditures which may be disallowed upon audit by the granting agencies cannot be determined at this time, although the Authority expects any such amounts to be immaterial.

The Authority has various contracts with private consulting companies and cooperative agreements with governmental entities. As of June 30, 2008, the Authority expended approximately $1,011.3 million of these commitments and had outstanding commitments approximating $99.1 million. In addition to the above, the Authority has a remaining programming commitment of approximately $17.7 million to the Bay Area Rapid Transit (BART) system related to the State Highway Route 4 widening project.

The Authority leases its office facility and certain office equipment under operating lease agreements. During the year ended June 30, 2008, lease expenditures approximated $247 thousand. A schedule of future minimum lease payments on noncancelable operating leases follows (in thousands):

Year Ending June 30:	
2009	$242
2010	248
2011	295
Total	$785

CONTRA COSTA TRANSPORTATION AUTHORITY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008
(in thousands)

	SPECIAL REVENUE FUNDS		Total Non-major Governmental Funds
	Carpool, Vanpool	Air Quality	
ASSETS			
Restricted cash and investments	$450	$1,979	$2,429
Receivables:			
Interest		8	8
Total Assets	$450	$1,987	$2,437
LIABILITIES			
Accounts payable	$826		$826
Due to other funds		$465	465
Total Liabilities	826	465	1,291
FUND BALANCES (Deficit)			
Reserved for:			
Air quality		1,522	1,522
Unreserved, Undesignated	(376)		(376)
Total Fund Balance (Deficit)	(376)	1,522	1,146
Total Liabilities and Fund Balances	$450	$1,987	$2,437

CONTRA COSTA TRANSPORTATION AUTHORITY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	SPECIAL REVENUE FUNDS		Total Non-major Governmental Funds
	Carpool, Vanpool	Air Quality	
REVENUES			
Investment income		$67	$67
Motor Vehicle Registration Surcharge (TFCA)		1,364	1,364
Total Revenues		1,431	1,431
EXPENDITURES			
Programs:			
Carpools, vanpools	$1,366		1,366
Total Expenditures	1,366		1,366
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,366)	1,431	65
OTHER FINANCING SOURCES (USES)			
Transfers in	894		894
Transfers (out)		(1,050)	(1,050)
Total Other Financing Sources (Uses)	894	(1,050)	(156)
NET CHANGE IN FUND BALANCES	(472)	381	(91)
BEGINNING FUND BALANCES	96	1,141	1,237
ENDING FUND BALANCES (DEFICIT)	($376)	$1,522	$1,146

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APPENDIX B

GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

NOTE: The information and data within this Appendix B is the latest data available; however, the worsening of the economy at County, State and national levels may not be reflected in the data discussed below because more up-to-date publicly available information is not available to the Authority. See "Risk Factors— Economy Of The County, The State And The Country Following Economic Downturns" in the front part of this Official Statement. This information is provided as general background. As explained under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 NOTES" in the front part of this Official Statement, the Series 2009 Notes are payable solely from the pledge of Sales Tax Revenues and certain other money held under the Indenture and the proceeds of the Take-Out Bonds, if issued.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The County of Contra Costa, California (the "County") was incorporated in 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County covers approximately 802 square miles and extends from the northeastern shore of the San Francisco Bay easterly about 50 miles to San Joaquin County. The County is bordered on the south and west by Alameda County and on the north by the Suisun and San Pablo Bays. The western and northern shorelines are highly industrialized, while the interior sections are suburban/residential, commercial and light industrial. The County contains 19 incorporated cities, including Richmond in the west, Antioch in the northeast, and Concord in the central portion of the County. A large part of the County is served by the San Francisco Bay Area Rapid Transit District ("BART"), which historically enabled expansion of both residential and commercial development throughout much of the County.

County Government

The County has a general law form of government. A five-member Board of Supervisors, each member of which is elected to a four-year term, serves as the County's legislative body. Also elected are the County Assessor, Auditor-Controller, Clerk-Recorder, District Attorney-Public Administrator, Sheriff-Coroner and Treasurer-Tax Collector. A County Administrator appointed by the Board of Supervisors runs the day-to-day business of the County. The current County Administrator is David Twa.

Population

The County is the ninth most populous county in California, with its population reaching approximately 1,060,435 as of January 1, 2009. The following Table B-1 sets forth the County's population levels for 1990, 2000 and 2005 through 2009.

TABLE B-1
COUNTY OF CONTRA COSTA
POPULATION (1)

	1990	2000	2005	2006	2007	2008	2009
Antioch	62,195	90,532	100,039	99,376	99,357	99,994	100,957
Brentwood	7,563	23,302	41,954	45,752	48,667	50,584	51,908
Clayton	7,317	10,762	10,906	10,788	10,728	10,778	10,864
Concord	111,308	121,780	124,578	123,380	122,923	123,700	124,599
Danville	31,306	41,715	42,975	42,515	42,447	42,602	43,043
El Cerrito	22,869	23,171	23,244	23,178	23,081	23,306	23,440
Hercules	16,829	19,488	23,200	23,535	23,859	24,309	24,480
Lafayette	23,366	23,908	24,148	23,887	23,836	23,948	24,087
Martinez	31,810	35,866	36,570	36,138	36,009	36,122	36,348
Moraga	15,987	16,290	16,334	16,153	16,094	16,128	16,204
Oakley	N/A	25,619	28,961	29,341	31,747	33,189	34,468
Orinda	16,642	17,599	17,671	17,470	17,428	17,529	17,669
Pinole	17,460	19,039	19,469	19,222	19,149	19,260	19,383
Pittsburg	47,607	56,769	62,172	62,192	62,696	63,352	63,771
Pleasant Hill	31,583	32,837	33,408	33,046	32,957	33,357	33,547
Richmond	86,019	99,216	102,309	102,188	103,327	103,899	104,513
San Pablo	25,158	30,215	31,130	30,830	30,816	31,172	31,808
San Ramon	35,303	44,722	50,672	56,234	59,501	61,187	63,176
Walnut Creek	60,569	64,296	66,047	65,293	65,070	65,266	65,860
Unincorporated	152,841	151,690	160,620	164,991	165,630	168,560	170,310
Total	803,732	948,816	1,016,407	1,025,509	1,035,322	1,048,242	1,060,435
California	29,758,213	33,871,648	36,676,931	37,086,191	37,472,074	37,883,992	38,292,687

(1) Totals may not equal sums due to independent rounding.
Source: United States Census for years 1990-2000; State Department of Finance for 2005 through 2009.

Industry and Employment

As shown in Table B-2 below, as of July 1, 2009, the County's civilian labor force was 534,900, the County's unemployment rate was 11.0% and the State's unemployment rate was 12.1%. The County has achieved a lower unemployment rate than the State in each of the years 2003 through 2008 and as of July 1, 2009.

TABLE B-2
COUNTY OF CONTRA COSTA
EMPLOYMENT AND UNEMPLOYMENT OF
RESIDENT LABOR FORCE
WAGE AND SALARY EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGES

	2003	2004	2005	2006	2007	2008	2009(1)
Civilian Labor Force	512,200	509,700	512,700	515,900	519,700	529,200	534,900
Employment	480,900	482,000	487,700	493,800	495,400	496,400	475,800
County Unemployment	31,300	27,800	25,000	22,100	24,300	32,700	59,000
Unemployment Rate:							
County	6.1%	5.4%	4.9%	4.3%	4.7%	6.2%	11.0%
State of California	6.8%	6.2%	5.4%	4.9%	5.4%	7.2%	12.1%
Wage and Salary Employment (2)							
Total Farm	2,000	800	800	700	800		
Durable Goods	7,600	8,600	8,200	8,700	8,300		
Nondurable Goods	13,000	12,000	11,600	11,600	12,000		
Wholesale Trade	9,300	9,000	8,800	9,100	9,100		
Retail Trade	42,200	43,400	44,000	44,000	44,200		
Transportation, Warehousing and Utilities	7,900	7,500	7,600	8,400	8,900		
Information	13,800	14,000	13,500	13,400	13,100		
Financial Activities	32,400	32,600	33,900	32,100	29,200		
Professional and Business Services	45,100	45,900	46,700	50,600	49,400		
Educational and Health Services	40,400	41,100	40,800	42,700	44,700		
Leisure and Hospitality	29,800	30,300	31,500	32,400	33,300		
Other Services	13,300	13,900	12,300	12,200	12,300		
Government	50,200	49,300	50,200	48,500	49,800		
Total (3)	307,000	308,400	309,900	314,400	315,100		

(1) As of July 1, 2009.
(2) Data for 2007 is most recent available.
(3) May not be precise due to independent rounding.
Source: State of California, Employment Development Department.

Major Employers

The following Table B-3 provides a listing of major employers headquartered or located in the East Bay and their employment levels.

TABLE B-3
MAJOR EMPLOYERS IN THE EAST BAY WITH EMPLOYEES IN THE COUNTY

Firm	Primary Location in County	Product or Service	Employment
AT&T Corp	San Ramon	Telecommunications	8,500
Contra Costa County Inc	Martinez	Other Services	7,574
Summerville Management LLC	San Ramon	Health Care	4,000
John Muir Physician Network	Walnut Creek	Health Care	3,891
Pacpizza LLC	San Ramon	Restaurant	3,600
Mt Diablo Unified School Dist	Concord	K-12 Education	3,226
Kaiser Foundation Hospitals	Walnut Creek	Health Care	2,852
United States Postal Service	Alamo	Postal Services	2,500
Safeway Inc	Alamo	Supermarkets	2,475
Diablo Valley College Fndtn	Pleasant Hill	Other Services	2,020
AT&T Services Inc	Pleasant Hill	Telecommunications	2,018
Home Depot USA Inc	San Ramon	Retail Stores	1,750
Cellco Partnership	Concord	Retail Stores	1,735
California Department of Health	Richmond	Government / Healthcare	1,676
West Contra Costa Unified Sch	Richmond	K-12 Education	1,667
John Muir Health	Walnut Creek	Health Care	1,600
Bio-Rad Laboratories Inc	Hercules	Retail Drug Stores	1,405
Albertson's LLC	San Ramon	Supermarkets	1,405
Chevron Corp	San Ramon	Oil Refinery	1,342
Target Corp	San Ramon	Retail Sales	1,325
Contra Costa Newspapers Inc	Walnut Creek	Newspaper Publishing	1,322
Wal-Mart Stores Inc	Richmond	Retail Stores	1,290
Macy's Department Stores Inc	Concord	Retail Stores	1,200
San Ramon Valley Unified	Danville	K-12 Education	1,171

Source: Contra Costa County Employers, Harris InfoSource of Lists 2009.

Personal Income

The United States Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table B-4 on the following page presents the latest available personal income data for the County, the State and the nation for the calendar years 2004 through 2008.

TABLE B-4
COUNTY OF CONTRA COSTA
PERSONAL INCOME
CALENDAR YEARS 2004 THROUGH 2008

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2004		
County	$ 47,336	$ 46,995
State	1,262,306	35,380
United States	9,716,351	33,050
2005		
County	$ 49,475	$ 48,618
State	1,332,919	36,936
United States	10,220,942	34,495
2006		
County	$ 53,876	$ 53,571
State	1,445,580	40,020
United States	10,978,053	36,794
2007		
County	$ 56,396	$ 55,580
State	1,520,755	41,805
United States	11,634,322	38,615
2008		
County(1)		
State (2)	$ 1,569,369	$ 42,696
United States (2)	12,086,533	39,751

(1) County data for 2008 not available.
(2) State and Federal information for 2008 preliminary estimates only.
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Commercial Activity

Commercial activity comprises an important part of the County's economy, with taxable transactions totaling approximately $14.09 billion in 2007 and $6.65 billion during the first six months of 2008. Presented in Table B-5 below is a summary of taxable transactions in the County since 2004.

TABLE B-5
COUNTY OF CONTRA COSTA
TAXABLE TRANSACTIONS
CALENDAR YEARS 2004 TO 2008[1]
($ IN 000'S)

	2004	2005	2006	2007	2008[1]
Apparel	$ 411,121	$ 451,401	$ 462,451	$ 470,507	$ 210,740
General Merchandise	1,794,677	1,840,754	1,882,310	1,878,711	837,425
Food Stores	596,922	607,168	607,062	616,296	296,594
Eating and Drinking	994,733	1,049,124	1,098,793	1,125,644	567,055
Home Furnishings	353,208	342,182	336,304	427,995	130,142
Building materials	1,080,813	1,092,471	1,027,731	944,683	412,253
Automotive	1,808,676	2,091,766	3,061,806	1,812,785	773,752
Service Stations	921,731	1,043,848	1,190,703	1,351,405	810,518
Other Retail	248,381	306,410	3,024,379	1,481,678	677,526
Total Retail Outlets	9,697,365	10,072,084	13,867,661	10,109,704	4,766,908
Business and Personal Services	506,336	524,750	567,375	555,973	271,406
All Other Outlets	2,786,837	2,883,241	3,024,379	3,420,618	1,607,482
TOTAL ALL OUTLETS	$12,990,538	$13,480,075	$13,867,661	$14,086,295	$ 6,645,796

(1) Most recent data available through June 30, 2008 only.
Source: California State Board of Equalization.

Much of the County's commercial activity is concentrated in central business districts of the cities and unincorporated towns. Regional shopping centers, numerous smaller centers and several "big box" warehouse stores serve County residents. The County is served by major banks including Bank of America and Wells Fargo Bank. In addition there are numerous local banks and branches of smaller California and foreign banks.

Residential Construction Activity

The value of residential construction activity decreased by 53.8% in 2008 from 2007 levels, which is consistent with national trends. The following Table B-6 provides a summary of building permit valuations and number of new dwelling units authorized in the County from 2002 through 2008 and for the first six months of 2009.

Table B-6
COUNTY OF CONTRA COSTA
BUILDING PERMIT VALUATIONS
CALENDAR YEARS 2002 THROUGH 2009[(1)]

	Valuation	Number of New Dwelling Units		
Year	Residential (New)	Single Family	Multiple Family	Total
2002	$1,219,608	5,076	729	5,805
2003	$1,262,360	4,965	1,930	6,895
2004	$1,113,572	4,222	1,261	5,483
2005	$1,525,515	5,452	860	6,312
2006	$1,451,818	3,310	1,178	4,488
2007	$1,216,666	2,698	909	3,607
2008	$661,935	985	909	1,894
2009[(1)]	$227,896	436	42	498

[(1)] Most recent available data as of June 2009 only.
Source: Construction Industry Research Board

Transportation

Availability of a broad transportation network has been one of the major factors in the County's economic and population growth. Interstate 80 connects the western portion of the County to San Francisco, Sacramento and points north to Interstate 5, the major north-south highway from Mexico to Canada. Interstate 680 connects the central County communities to the rest of the Bay Area via State Routes 4 and 24, the County's major east-west arteries.

Ground transportation is available to County residents from the following service providers:

- Central Contra Costa Transit Authority provides local bus service to the central area of the County including Walnut Creek, Pleasant Hill and Concord.

- BART connects the County to Alameda County, San Francisco and Daly City and Colma in San Mateo County with two main lines, one from the San Francisco area to Richmond and the other to the Concord/Walnut Creek/Pittsburg/Bay Point area. BART now has 43 stations and 103.7 miles of roadway in its system.

- AC Transit provides local bus service and connects Contra Costa communities to San Francisco and Oakland.

- Other bus service is provided by Greyhound.

- Commuter rail service is provided by the Capital Corridor, with daily runs between the Bay Area and Sacramento that stops at the intermodal terminal in Martinez, the County seat.

- The Santa Fe and Union Pacific Railroads' main lines serve the County, both in the industrial coastal areas and the inland farm section.

Commercial water transportation and docking facilities are available through a number of port and marina locations in the County. The Port of Richmond on San Francisco Bay and several privately owned industrial docks on both San Pablo and Suisun Bays serve the heavy industry located in the area. The Port of Richmond, owned and operated by the City of Richmond, covers approximately 200 acres and handles approximately 19 million metric tons annually. The majority of the shipments are bulk liquids with the remainder consisting of scrap metal, autos, and gypsum rock.

Major scheduled airline passenger and freight transportation for County residents is available at either Oakland or San Francisco International Airports, located about 20 and 30 miles, respectively, from the County. In addition there are two general aviation fields, one at Byron and the other at Concord.

Agriculture

The County is comprised of 482,000 acres, with 146,993 of these acres allocated to farmlands and harvested cropland. In 2008, the total gross value of agricultural products and crops was $71,233,620, a decrease of $5,407,040 compared to 2007. The decrease in Nursery Products beginning in 2006 was due to the relocation of a supplier outside the County. The value of agricultural production from 2005 to 2008 is set forth in Table B-7 and reflects the latest data available.

Table B-7
COUNTY OF CONTRA COSTA
AGRICULTURAL PRODUCTION, 2005 TO 2009

	2005	2006	2007	2008[1]
Nursery Products	$24,644,000	$18,497,000	$11,860,000	$3,479,000
Livestock and Poultry	12,019,720	18,717,200	12,000,960	12,728,720
Field crops	10,271,000	10,172,000	13,577,000	15,507,000
Vegetable and Seed Crops	23,560,700	22,033,800	25,706,700	23,153,900
Fruit and Nut Crops	16,443,000	14,006,000	13,496,000	16,365,000
TOTAL	$86,938,420	$83,426,000	$76,640,660	$71,233,620

(1) Latest data available.
Source: Contra Costa County Department of Agriculture Crop Reports 2005-2008.

Utilities

Water. The East Bay Municipal Utilities District ("EBMUD") and the Contra Costa Water District ("CCWD") supply water to the County. EBMUD supplies water to the western part of the County, including Alamo, Crockett, Danville, Diable, Hercules, Lafayette, Moraga, Orinda, Pinole, portions of Pleasant Hill, Richmond, Rodeo, San Pablo, San Ramon, Selby and portions of Walnut Creek. Approximately 90% of its supply is from the Mokelumne River stored at the Pardee Dam in Ione, California. EBMUD is entitled to 325 million gallons per day under a contract with the State Water Resources Control Board.

CCWD obtains its water from the Sacramento-San Joaquin Delta and serves treated and untreated water to approximately 550,000 customers in Central and Eastern Contra Costa County. CCWD provides treated water to Clayton, Clyde, Concord, Pacheco, Port Costa and parts of Martinez, Pleasant Hill and Walnut Creek. CCWD sells wholesale treated water to Antioch, the Golden State Water Company in Bay Point, the Diablo Water District in Oakley and Brentwood. Untreated water is sold to the cities of Antioch, Martinez and Pittsburg as well as major industries, including refineries and steel mills. CCWD is entitled under a contract with the U.S. Bureau of Reclamation to receive up to 195,000 acre-feet per year. Water purchased by CCWD has ranged between 105,000 and 125,000 acre-feet annually. In addition, a number of industrial users and several municipalities draw water directly from the San Joaquin River under their own riparian rights or use recycled water, so that actual water usage in the service area averages about 145,000 acre-feet annually. Completely dependent upon the Delta and subject to seasonal changes in salinity, in 1997, CCWD completed the Los Vaqueros Reservoir. Water is pumped to storage from the Delta when the snowpack is melting and fresh water is moving through the Delta. This low-salinity stored water is then blended with Delta water in the fall when Delta salt levels climb.

Sewer. Sewer services for the County are provided by approximately 20 sanitation districts and municipalities. Federal and State environmental requirements, plus grant money available from these two sources, resulted in upgrading, expanding and/or building new facilities by approximately 14 agencies.

Flood Control. The Contra Costa County Flood Control and Water Conservation District (the "District") has been in operation since 1951 to plan, build, and operate flood control projects in unincorporated areas of the County except for the Delta area on its eastern border. The Delta is interspersed with inland waterways that fall under the jurisdiction of the U.S. Corps of Engineers and the State Department of Water Resources. The District is responsible for meeting requirements set forth by the Environmental Protection Agency ("EPA") with respect to addressing potential pollutants in nonspecific groundwater runoff. The County is not presently able to estimate the cost of compliance with EPA requirements, although such costs may be significant.

Education

Public school education in the County is available through seven unified school districts, nine elementary school districts and two high school districts. These districts provide eight charter schools, 150 elementary schools, 43 middle schools, 31 high schools, 19 necessary small and continuation high schools, and a number of adult schools, and special education facilities. Public school K-12 enrollment for Fiscal Year 2008-09 numbered approximately 166,772 students. Private school enrollment in the County for Fiscal Year 2008-09 numbered approximately 18,520 students, which was approximately 10% of students in the County.

Higher education is available in the County through a combination of two-year community colleges and four-year colleges. The Contra Costa County Community College District is comprised of Contra Costa College, Diablo Valley College, Los Medanos College, San Ramon Campus, and the Walnut Creek and Brentwood Centers. California State University East Bay (formerly California State University Hayward) operates a branch campus in Concord. St. Mary's College of California is a four-year private institution and is located in Moraga. Also located within the County are the John F. Kennedy University campuses in Orinda, Walnut Creek and Pleasant Hill. In addition, County residents are within easy commuting distance of the University of California, Berkeley.

Health Services

There are 12 privately operated hospitals and one public hospital in the County, with a combined total of approximately 1,900 beds. Four of the private hospitals are run by Kaiser, the largest health maintenance organization in the United States. Kaiser has opened a new hospital in Richmond with new critical care beds, surgical suites and a full service emergency department. The Walnut Creek-based John Muir/Mt. Diablo Health System operates hospitals at its Walnut Creek and Concord campuses and outpatient services at its Brentwood campus and in Rossmoor.

Under State law, the County is required to administer State and federal health programs, provide for community mental health and treatment programs, and provide for a portion of the costs of such services with local revenues, such as sales and property taxes. The County Health Services Department (the "Health Services Department") provides these services to all County residents regardless of their ability to pay.

The Health Services Department is responsible for providing a comprehensive health system to residents of the County including the following: clinical and laboratory services; maternal, child and adolescent health services; public health clinics services; mental health services; alcohol and drug treatment services; programs related to the prevention of disease and injury (e.g., tobacco education, senior health education); community nutrition projects; and obesity and asthma prevention.

The public hospital is the Contra Costa Regional Medical Center (the "Regional Medical Center"), a 164-bed, general acute care teaching hospital. The Regional Medical Center provides a full range of services, including emergency, medical, surgical, perinatal pediatric and psychiatric services. The Regional Medical Center also has facilities for diagnostic imaging, clinical laboratory and pharmacy services, rehabilitation and cardio pulmonary care.

Since the reopening of the Regional Medical Center in 1998 and the opening of a public health laboratory in 2001, the County converted the former Los Medanos Hospital into the Pittsburg Health Center, completed construction of a new ambulatory care clinic on the campus of the Regional Medical Center, and expanded clinics in Antioch, Concord and Brentwood, and is in the process of replacing a clinic in Brentwood, and construction expansions to the clinics at the Regional Medical Center and the Pittsburg Health Center.

APPENDIX C

INVESTMENT POLICY OF CONTRA COSTA TRANSPORTATION AUTHORITY

Fiscal Year 2009-10

I. Introduction

The investment policies and practices of the Contra Costa Transportation Authority (the Authority) are based on the principles of prudent money management and on the California Government Code Sections regulating the investment of public funds.

Investment of Authority funds is to be done in accordance with this Investment Policy. The investment of certain funds such as bond reserve funds may be further restricted by covenants or provisions of the relevant agreements or documents.

The purpose of this document is: A) to identify the policies and procedures that guide the investment of Authority funds and B) to formalize the reporting requirements of investment-related activities.

II. Scope

It is intended that this Investment Policy will encompass all funds and investment activities that are under the direction of the Authority.

III. Prudence

Investments shall be made with judgment and care—under the circumstances then prevailing—which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. Objectives

The primary objectives, in priority order, of the Authority's investment activities shall be:

1) Safety. Safety of principal is the foremost objective of the investment program. The Authority's investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio.

2) Liquidity. The Authority's investment portfolio will remain sufficiently liquid to enable the Authority to meet its cash flow requirements.

3) Return on Investment. The Authority's investment portfolio shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety and liquidity objectives.

V. Delegation of Authority

The management responsibility for the investment program is hereby delegated to the Chief Financial Officer, for a one-year period, who shall monitor and review all investments for consistency with this investment policy. No person may engage in an investment transaction except as provided under the limits of this policy. The Authority may delegate its investment recommendation and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as provided.

VI. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall not participate in personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

VII. Internal Controls

The Authority shall establish a set of internal control procedures which shall be documented in writing. The internal controls will be reviewed by the Authority and with the independent auditor. The controls shall be designed to prevent employee error, misrepresentations by third parties, unanticipated changes in financial markets, or imprudent actions by officers or employees of the Authority.

VIII. Selection of Financial Institutions and Broker/Dealers

To provide for the optimum yield in the Authority’s portfolio, the Authority’s procedures shall be designed to encourage a competitive environment on transactions from an approved list of broker/dealers.

The Chief Financial Officer, or the Authority’s investment advisor, shall maintain a list of authorized broker/dealers and financial institutions that are approved for investment purposes. This list will be developed after a comprehensive credit and capitalization analysis indicates the firm is adequately financed to conduct business with public entities.

It shall be the policy of the Authority to purchase securities only from those authorized institutions or firms.

IX. Maximum Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the Authority to meet all projected obligations.

Unless otherwise specified in this section, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement as authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years.

X. Permitted Investment Instruments

1. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises

3. Repurchase Agreements used solely as short-term investments not to exceed 90 days to maturity.

   The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in section X 1 and 2 above, will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the County's custodian bank versus payment or be handled under a tri-party repurchase agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 102 percent of the total dollar value of the money invested by the Authority for the term of the investment. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a regular basis.

   If the Authority invests in a pooled repurchase agreement arrangement established by the County, the County's repurchase agreement policies shall apply.

   Market value must be calculated each time there is a substitution of collateral.

The Authority or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The Authority may enter into Repurchase Agreements with (1) primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York, and (2) California and non-California banking institutions having assets in excess of $1 billion and having obligations in the highest short-term rating category as provided by a nationally recognized statistical rating organization.

The Authority will have specific written agreements with each firm with which it enters into Repurchase Agreements.

Reverse repurchase agreements will not be offered without the prior specific consent of the Authority. If a reverse repurchase agreement is authorized, it may be utilized only if the security to be sold on reverse repurchase agreement has been owned and fully paid for by the Authority for a minimum of 30 days prior to the sale; the total of all reverse repurchase agreements on investments owned by the Authority does not exceed 20 percent of the base value of the portfolio; and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of the security using a reverse repurchase agreement and the final maturity date of the same security.

The collateral requirements for repurchase agreements described here are more restrictive than California Government Code.

4. Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency; provided that the obligations are rated in one of the two highest categories by a nationally recognized statistical rating organization.

   The credit rating threshold is more restrictive than the California Government Code standard.

5. Bankers' Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by a nationally recognized statistical rating organization.

   Purchases of Bankers’ Acceptances may not exceed 180 days maturity or 40 percent of the Authority's surplus money. The maximum amount permitted to be invested in the Banker's Acceptances of any one commercial bank is the greater of 10 percent of the Authority's surplus funds or $1 million.

The limits on Banker’s Acceptance Notes described here are more restrictive than the California Government Code.

6. Commercial paper rated in the highest short-term rating category, as provided by a nationally recognized statistical rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

   (1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation. (B) Has total assets in excess of five hundred million dollars ($500,000,000). (C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization.

   (2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (B) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.

   Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 20 percent of the Authority’s portfolio may be invested in eligible commercial paper and the Authority may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. No more than $1 million may be invested in any one issuer.

   The maximum percentage allocation of Commercial Paper described here is more restrictive than the California Government Code.

7. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S.. Medium-term corporate notes shall be rated in a rating category "AA" or its equivalent or better by a nationally recognized rating service.

   Purchase of medium-term corporate notes may not exceed 30 percent of the agency's surplus money. The maximum amount permitted to be invested in medium-term note of any one issuer is the greater of 10 percent of the Authority's surplus funds or $1 million.

The credit requirement for corporate issuers described here are more restrictive than the California Government Code.

8. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Eligible securities must be rated, by a nationally recognized rating service, as "AA" or higher, and the issuer of the security must have an "A" or higher rating for its debt as provided by a nationally recognized rating service. No more than 10 percent of the agency's surplus funds may be invested in this type of security.

   The maximum percentage allocation of mortgage pass-through securities is more restrictive than the California Government Code.

9. FDIC or FSLIC insured or fully collateralized time certificates of deposit in financial institutions located in California.

10. Negotiable certificates of deposit or deposit notes issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "AA" or better by a nationally recognized statistical rating organization.

    Purchase of negotiable certificates of deposit may not exceed 30 percent of the Authority's surplus money. The maximum amount permitted to be invested in a negotiable certificate of any one bank is the greater of 10 percent of the Authority's surplus funds or $1 million.

    The credit requirement for issuers of negotiable certificates of deposit described here are more restrictive than California Government Code.

11. State of California's Local Agency Investment Fund (LAIF).

    The LAIF portfolio should be reviewed periodically.

12. Contra Costa County Investment Pool. The Contra Costa County Investment Pool portfolio should be reviewed periodically.

13. Insured savings account or money market account

14. The California Asset Management Program.

15. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the federal Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1,

et seq.). To be eligible for investment pursuant to this subdivision, these companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations; or (2) retain an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

The purchase price of shares shall not exceed 15 percent of the Authority's surplus money. No more than 5% can be invested in any one mutual fund.

The maximum percentage allocation to the price of shares, and the investment in any one mutual fund, are more restrictive than the California Government Code.

Credit criteria listed in this section refer to the credit of the issuing organization at the time the security is purchased. If a credit rating falls below the criteria stated, Authority should be notified. In the event a rating drops below "A," the Authority's investment manager should notify the Chief Financial Officer along with a recommendation of whether to hold or sell the particular security.

Additional investment requirements may be included in the provisions of relevant bond documents.

The percentage limitation for a particular category of investment refers to the percentage on the date the security is purchased.

XI. Ineligible Investments

Any security type or structure not specifically approved by this policy is hereby specifically prohibited. Security types which are thereby prohibited include, but are not limited to,

a. "Complex" derivative structures such as range notes, dual index notes, inverse floaters, leveraged or de-leveraged floating-rate notes, or any other complex variable-rate or structured note.

b. Interest-only strips that are derived from a pool of mortgages, or any (non-Discount) security that could result in zero interest accrual if held to maturity.

XII. Reporting Requirements

Within 30 days following the end of each calendar month, the Chief Financial Officer shall prepare a monthly investment report and shall then render such to the Executive Director, the Administration and Projects Committee, and the Authority Board.

- The monthly report shall include summaries of the specific transactions as requested by the Board. Detailed statements shall be available on request for the monthly reports.

In addition, once each quarter, the Chief Financial Officer shall render to the Executive Director, the Administration and Projects Committee, and Authority Board an analysis of the Authority's portfolio including composition, credit quality, maturity distribution, and an analysis of sales tax revenues.

The monthly and quarterly reporting requirements described here are more comprehensive than California Government Code dictates.

The Chief Financial Officer shall annually render to the Board a statement of investment policy, which the Board shall consider at a public meeting.

XIII. Safekeeping and Custody

The assets of the Authority shall be secured through the third-party custody and safekeeping procedures and arrangements utilized by Contra Costa County for its own investments. Bearer instruments shall be held only through third-party institutions. Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment procedure.

Glossary of Terms and Reference

All investments in the PFM-managed portfolio accounts (please see description of asset management programs below) traditionally have been in U.S. Treasury securities, Federal Agency securities, and in Commercial Paper rated A-1+ and A-1. These have best met the Authority's investment objectives.

While most of the federal agency securities do not carry the full faith and credit of the U.S. Government, they are all rated "AAA", like Treasure securities, and are considered very safe due to their implicit government support, and in some cases their ability to borrow directly from the U.S. Treasury. Federal agency securities are issued and traded in a variety of forms, and are considered relatively liquid investments. Usually, Federal Agency securities offer yields slightly higher than comparable maturity Treasury securities. The Commercial Paper issues (when selected for the Authority's portfolio) are investment grade. As per California Government Code sections 53600 et seq., and the CCTA investment policy, these Treasury securities, Federal Agency securities, and A-1+ rated Commercial Paper are allowable investment options.

U.S. Treasury Securities:

U. S. Treasury Securities are debt obligations of the United States Government, sold by the Treasury Department in the form of Bills, Notes, and Bonds. Bills are short term obligations which mature in one year or less and are sold on the basis of a rate of discount. Notes are obligations which mature between one year and 10 years. Bonds have been long term obligations which generally mature in terms of 10 years or more. Many U.S. Treasury Securities carry an obligation to pay interest at an established rate.

Federal Agency Security Issuers:

Federal Home Loan Mortgage Corporation (FHLMC, or "Freddie Mac"): A government-sponsored public corporation created to increase the availability of mortgage credit for financing housing, and to stabilize the secondary market for home mortgages by helping to redistribute investment capital available for financing home mortgages.

Federal National Mortgage Association (FNMA, or "Fannie Mae"): A government-sponsored public corporation authorized to buy or sell mortgages and to otherwise facilitate the orderly operation of a secondary market for home mortgages. FNMA provides liquidity to the residential mortgage market and redistributes mortgage funds around the country.

Federal Home Loan Bank (FHLB): The FHLB provides credit to member thrift institutions in various regions around the country. While the FHLB does not directly fund mortgages, it provides a stable supply of credit to thrift institutions that make new mortgage loans.

Federal Farm Credit Banks (FFCB): The Federal Farm Credit System is a network of cooperatively owned lending institutions that provide credit services to farmers, agricultural cooperatives, and rural utilities. The FFCBs act as financial intermediaries that borrow in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses.

Commercial Paper:

Commercial Paper is an unsecured promissory note issued by corporations and financial institutions to raise funds on a short-term basis. Credit quality varies with the issuer. Commercial Paper typically offers higher yields than Treasury or government-sponsored agency securities, due to the risk of purchasing unsecured debt (the risk being smaller for issues with higher credit ratings). Commercial Paper can be issued in either discount or interest bearing form, with maturities ranging from one day to 270 days. The Commercial Paper held by the Authority is investment grade, A-1+ and A-1.

Instruments:

Note: A written, short-term promise of an issuer to repay a specified principal amount on a certain date, together with a stated interest rate, payable from a defined source of anticipated revenue. Notes typically have maturities of one year to ten years. Types of notes:

> Discount Note: Government sponsored agencies borrow in capital markets daily by issuing discount agency securities. Similar to Treasury Bills, these securities are purchased at a discount and mature at their full face value. Discount notes are available in a variety of maturities from one day to one year.

Note (Callable): The call feature gives the issuer the option to redeem the notes prior to maturity at a set price during a set time period. For example, a "five-year, non-call three-year" issue has a final maturity but can be redeemed any time after three years at the sole discretion of the issuer. Typically, callable notes offer higher yields than non-callable issues of the same maturity but carry the possibility of being called by the issuer.

Bills: A written, short-term promise of an issuer to repay a specified principal amount on a certain date, together with a stated interest rate, payable from a defined source of anticipated revenue. Bills typically have maturities of less than one year. Types of bills:

Reference Bills: These bills are issued in a manner and scale similar to U.S. Treasury Bills. FHLMC ("Freddie Mac") reference bills are issued in sizable volumes on a regular, standardized schedule. Maturities range from one-month to twelve-months, and are also traded in high volumes on the secondary market.

Global Bills and Notes: These bills are issued in a manner and scale similar to U.S. Treasury Bills. FHLB Global Bills and Notes are issued in sizable volumes on a regular, standardized schedule. Maturities vary, and are also traded in high volumes on the secondary market.

Description of Asset Management Programs:

Local Agency Investment Fund (LAIF): The LAIF program allows local government agencies to participate in the state Pooled Money Investment Account (PMIA). The PMIA/LAIF is managed by the State Treasurer's Office, with the goals of safety, liquidity, and yield. Yields have been competitive. The fees for participation have been about one basis point (0.0001) of average daily balances. CCTA currently uses LAIF for investing sales tax revenue funds.

California Asset Management Program (CAMP): CAMP is a joint powers authority formed by and for public agencies. Funds can be invested in a money market investment pool, or in individually managed accounts for which Public Financial Management (PFM) is the investment advisor. Yields in the pool accounts have been competitive. Yields in the individually managed portfolio depend on the instruments purchased and the timing of the purchases. For the pool accounts, the fees for participation are 9 basis points (0.0009) of average daily balances. For the individually managed accounts, the fees for participation are 10 basis points (0.0010) for the first $25 million invested, and 8 basis points (0.0008) for investments above $25 million. CCTA currently uses CAMP for the 1993 and 1995 Debt Service Accounts.

Public Financial Management (PFM): CCTA also uses PFM for directly investing sales tax revenue funds. As described above, these direct investments have been in government agency securities, and in investment grade Commercial Paper issues. Yields depend on the instruments purchased and the timing of the purchases. The fees for participation are 10 basis points (0.0010) for the first $25 million invested in the account, and 8 basis points (0.0008) for investments above $25 million.

Other Finance Terms:

- Bankers' Acceptance: A draft or bill of exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill.

- Bond: A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment. Bonds have longer term maturities than notes, and can be classified by maturity structure (serial v. term), source of payment (general obligation v. revenue), method of transfer (bearer v. registered), issuer (state v. municipal v. special district), or price (discount v. premium), and may carry a fixed or variable interest rate.

- Collateralization: Process by which a borrower pledges securities, property, or other deposits for the purpose of securing repayment of a loan and or security.

- Coupon: The interest rate on a debt security that an issuer promises to pay.

- Credit Quality: An indication of risk that an issuer will fulfill its obligation.

- Derivative: Securities that are based on, or derived from, some underlying asset, reference date, or index (there are no derivatives in the CCTA portfolio).

- Duration: A measure of the sensitivity of a security's value to a change in interest rates. (Note, there are many forms of duration, the duration calculation on the month-end statement is duration-to-"worst".) A lower number means a lower sensitivity to interest rate changes. Duration of "1" means a 1% change in interest rates = a 1% change in market value; a duration of "0.3" means a 1% change in interest rates = a 0.3% change in market value.

- Market Value: An estimate of the value at which the principal would be sold from a willing seller to a willing buyer.

- Maturity Date: The date the issuer has promised to pay the face value of the security.

- Nationally Recognized Statistical Ratings Organization (NRSRO): The Municipal Securities Rulemaking Board (MSRB) defines this as a "rating organization designated by the SEC as being nationally recognized."

- Original Cost: Total amount paid for the par or principal.

- Par: The stated maturity value of a security or remaining face amount.

- Par Value: The stated maturity value of a security or remaining face amount.

- Portfolio: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset.

- Principal Amount: The amount of cash received/paid for the par value of the security.

- Purchase Date: The date the transaction settled.

- Repurchase Agreement: An agreement of one party to sell securities to a second party (such as a local agency) and simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on demand or at a specified date.

- Settle Date: The date funds were exchanged.

- Trade Date: The date the trade was initiated.

- Trustee: A financial institution with powers to act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of a bond contract.

- YTM at Cost: The yield to maturity at cost is the rate of return, *based on the original cost*, the annual interest receipts, maturity value, and the time period from purchase date to maturity.

- YTM at Market: The yield to maturity at market is the rate of return, *based on the current market value*, the annual interest receipts, maturity value and the time period remaining until maturity.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of September 1, 2009, as supplemented by the First Supplemental Indenture, dated as of September 1, 2009 (hereinafter collectively referred to as the "Indenture"), between the Contra Costa Transportation Authority (the "Authority") and Deutsche Bank National Trust Company, as trustee (the "Trustee"). Such summary is not intended to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture.

Definitions

Accreted Value means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date. In the event that Capital Appreciation Bonds are issued, as and to the extent applicable, references to "principal of" set forth in the Indenture shall be read as references to "Accreted Value of."

Accreted Value Table means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

Act means the Local Transportation Authority and Improvement Act, Division 19 (Section 180000 et seq.) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time be amended or supplemented.

Alternate Credit Enhancement means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by a Credit Enhancement Provider, and delivered or made available to the Trustee, as a replacement or substitution for any Credit Enhancement then in effect.

Alternate Liquidity Facility means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a Liquidity Facility Provider, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

Annual Debt Service means, for any Fiscal Year, the aggregate amount (without duplication) of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

Assumed Debt Service means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds if each Excluded Principal Payment were amortized on a substantially level debt service basis or other amortization basis provided by the Authority for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Authority not exceeding thirty (30) years from the date of calculation, or (ii) the Tax

Expiration Date, such Assumed Debt Service to be calculated on a level debt service basis or other amortization basis provided by the Authority based on a fixed interest rate equal to the rate at which the Authority could borrow for such period, as set forth in a certificate of a financial advisor or investment banker, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within thirty (30) days of the date of calculation.

Authority means the Contra Costa Transportation Authority, a local transportation authority of the State, duly established and existing under the laws of the State of California, and any successor.

Authorized Denomination means $5,000 and any integral multiple thereof.

Authorized Representative means the Executive Director of the Authority, the Chief Deputy Executive Director of the Authority, the Chief Financial Officer of the Authority, or such other person as may be designated to act on behalf of the Authority by a written certificate, delivered to the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by an Authorized Representative.

Beneficial Owner means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

Board means the governing body of the Authority.

Bond Obligation means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

Bond Reserve Fund means any fund by that name established with respect to one or more Series of Bonds pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Bond Reserve Requirement with respect to a Series of Bonds for which the Authority shall have established a Bond Reserve Fund shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Bondholder or **Holder**, whenever used in the Indenture or in this Official Statement with respect to a Bond, means the person in whose name such Bond is registered.

Bonds means Contra Costa Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) and Contra Costa Transportation Authority Sales Tax Revenue Notes (Limited Tax Bonds) authorized by, and at any time Outstanding pursuant to, the Indenture.

Build America Bonds means Bonds accorded Build America Bonds status under the provisions of the American Recovery and Reinvestment Act of 2009 or any successor thereto or replacement thereof.

Business Day means, except as is otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds are issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State, the State of New York or the jurisdiction in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed, (3) a day on which the New York Stock Exchange is closed, or (4) a day on which the payment system of the Federal Reserve System is not operational.

Capital Appreciation Bonds means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and on which interest is compounded and paid at maturity or on prior redemption.

Certificate, **Statement**, **Request**, **Requisition** and **Order** of the Authority mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative.

Code means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

Commercial Paper Notes means the Contra Costa Transportation Authority Subordinate Sales Tax Revenue Tax Exempt Commercial Paper Notes (Limited Tax Bonds), Series A, authorized by the CP Indenture.

Continuing Disclosure Undertaking means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the continuing disclosure agreement or continuing disclosure certificate, as applicable, dated the date of issuance of such Series of Bonds, executed by the Authority and, as and to the extent applicable, a dissemination agent, as the same may be supplemented, modified or amended in accordance with its terms, and means, with respect to Series 2009 Notes, that certain Continuing Disclosure Agreement, dated the date of issuance of the Series 2009 Notes, between the Authority and Deutsche Bank National Trust Company, as trustee and dissemination agent.

Corporate Trust Office or **corporate trust office** means the corporate trust office of the Trustee at 101 California Street, 46th Floor, San Francisco, California, 94111, Attention: Corporate Trust, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted, or such other or additional offices as may be designated by the Trustee from time to time.

Costs of Issuance means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, issuance, sale and delivery of a Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings, initial fees, expenses and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, credit enhancement, insurance, liquidity and surety costs, fees payable in connection with the execution or termination of an Interest Rate Swap Agreement in connection with the issuance of a Series of Bonds, and any other cost, charge or fee incurred in connection with the issuance of a Series of Bonds or any Parity Obligations delivered in connection with a Series of Bonds.

Costs of Issuance Fund means a fund by that name established pursuant to the provisions of a Supplemental Indenture to pay Costs of Issuance with respect to a Series of Bonds being issued pursuant to such Supplemental Indenture. With respect to the Series 2009 Notes, Costs of Issuance Fund means the Series 2009 Costs of Issuance Fund.

Counterparty means an entity which has entered into an Interest Rate Swap Agreement with the Authority.

County means the County of Contra Costa, California.

CP Indenture means the Indenture, dated as of August 1, 2007, between the Authority and the CP Trustee.

CP Trustee means Deutsche Bank National Trust Company.

Credit Enhancement means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by a Credit Enhancement Provider, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Credit Enhancement, such Alternate Credit Enhancement.

Credit Enhancement Provider means, with respect to a Series of Bonds, the Insurer, commercial bank, pension fund or other institution issuing (or having primary obligation, or acting as agent for the institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

Current Interest Bonds means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and that pay interest to the Holders thereof on a periodic basis prior to maturity.

Debt Service, when used with respect to any Bonds or Parity Obligations (for purposes of this definition of Debt Service, herein collectively referred to as "Obligations"), means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on such Obligations during such Fiscal Year and (2) the principal or Mandatory Sinking Account Payments required with respect to such Obligations during such Fiscal Year; computed on the assumption that no portion of such Obligations shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(A) Excluded Principal Payments (and the interest related thereto provided such interest is being paid from the same source as the Excluded Principal Payments) shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(B) in determining the principal amount due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such Obligations, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(C) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average of the SIFMA Municipal Swap Index for the five (5) years preceding such date of calculation (provided, however, that if such index is no longer published, the interest rate on such Obligations shall be calculated based upon such similar index as the Authority shall designate in writing to the Trustee);

(D) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Obligations shall be calculated at an interest rate equal to 100% of the average One Month USD LIBOR Rate during the five (5) years preceding such date of calculation or such higher rate as shall be specified in a Certificate of the Authority delivered to the Trustee (provided, however, that if such index is no longer published, the interest rate on such Obligations shall be calculated based upon such similar index as the Authority shall designate in writing to the Trustee);

(E) with respect to any Obligations bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a fixed rate of interest to maturity or for a specific term with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term;

(F) with respect to any Obligations bearing interest, or expected to bear interest, at a fixed interest rate for which an Interest Rate Swap Agreement is in place providing for a net variable interest rate with respect to such Obligations for a specific term, the interest rate on such Obligations shall be assumed to be equal for such term to the sum of (i) the fixed interest rate or rates to be paid on the Obligations, minus (ii) the fixed interest rate receivable by the Authority under such Interest Rate Swap Agreement, plus (iii) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified in a Certificate of the Authority filed with the Trustee, or, if not based on an identifiable index, then the SIFMA Municipal Swap Index, in each case, over the five (5) years preceding the date of calculation or such higher rate as shall be specified in a Certificate of the Authority filed with the Trustee;

(G) if any Obligations feature an option, on the part of the owners or an obligation under the terms of such Obligations, to tender all or a portion of such Obligations to the Authority, the Trustee or other fiduciary or agent, and requires that such Obligations or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Obligations, the options or obligations of the owners of such Obligations to tender the same for purchase or payment prior to the stated maturity or maturities shall be ignored and not treated as a principal maturity; and

(H) principal and interest payments on Obligations shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Obligations held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest or from Subsidy Payments.

Defeasance Securities means: (i) direct, non-callable obligations of the United States Treasury, (ii) direct non-callable and non-prepayable obligations which are unconditionally guaranteed by the

United States of America as to full and timely payment of principal and interest, (iii) non-callable, non-prepayable coupons from the above securities which are stripped pursuant to United States Treasury programs, (iv) non-callable and non-prepayable refunded bonds that are obligations of the United States of America; (v) Resolution Funding Corporation (REFCORP) bonds and strips; (vi) non-callable, and non-prepayable fixed rate Israel Notes guaranteed as to principal and interest by the United States of America through the United Agency for International Development (provided that, such notes are "Aaa"-rated and mature at least four business days before funds are needed for refunded bond debt service payments); (vii) United States State and Local Government Securities (SLGS); (viii) the following non-callable, non-prepayable obligations of federal government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, Farm Credit System, Washington Metropolitan Area Transit Authority, United States Import-Export Bank, United States Department of Housing and Urban Development, Farmers Home Administration, General Services Administration and United States Maritime Administration (provided such entities maintain a rating of "Aaa"); and (ix) any pre-refunded municipal security that is non-callable or has been irrevocably called for redemption and is rated "Aaa" at the time of deposit, which carries a fixed interest rate and matures or is to be redeemed on a date certain and is secured by an escrow containing securities listed in (i) through (viii) above.

Event of Default means any of the events of default specified in the Indenture.

Excluded Principal Payment means each payment of principal of Bonds or Parity Obligations that the Authority determines (in a Certificate of the Authority filed with the Trustee) that the Authority intends to pay with moneys which are not Sales Tax Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes) but from future debt obligations of the Authority, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Authority, upon which determination of the Authority the Trustee may conclusively rely. No such determination shall affect the security for such Bonds or the obligation of the Authority to pay such payments from Sales Tax Revenues or amounts on deposit in a Bond Reserve Fund, if any, securing such Bonds. No payment of principal of Bonds may be determined to be an Excluded Principal Payment unless it is due on or prior to the Tax Expiration Date.

Existing Swap Agreement means the Amended Swap as such term is defined in the front portion of this Official Statement.

Expenditure Plan means the expenditure plan set forth as Exhibit A to Ordinance 04-02, as in effect on the date of execution and delivery of the Indenture, and as such expenditure plan may be amended from time to time pursuant to its terms.

Fee and Expense Obligations means any obligations of the Authority which constitute fees, expenses and similar charges in connection with any Bonds, Parity Obligations or Subordinate Obligations (including fees and expenses and termination payments on Interest Rate Swap Agreements), which obligations are secured under the Indenture by a lien and charge upon the Sales Tax Revenues on a basis directly subordinate to the Bonds, Parity Obligations and Subordinate Obligations.

Fees and Expenses Fund means the fund by that name established pursuant to the Indenture.

First Supplemental Indenture means the First Supplemental Indenture, dated as of September 1, 2009, between the Authority and the Trustee, as supplemented and amended from time to time pursuant to its terms.

Fiscal Year means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the Authority, which designation shall be provided to the Trustee in a Certificate delivered by the Authority.

Fitch means Fitch Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and 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 Authority.

Holder or **Bondholder**, whenever used in the Indenture or in this Official Statement with respect to a Bond, means the person in whose name such Bond is registered.

Indenture means the Indenture, dated as of September 1, 2009, between the Trustee and the Authority, as originally executed or as it may be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions of the Indenture.

Insurance means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

Insurer means any provider of Insurance with respect to a Series of Bonds.

Interest Fund means the fund by that name established pursuant to the Indenture.

Interest Payment Date, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds. Interest Payment Date, with respect to the Series 2009 Notes, means April 1, 2010 and October 1, 2010.

Interest Rate Swap Agreement means an interest rate swap, basis swap, cap, collar, option, floor, forward, derivative or other hedging agreement, arrangement or security, however denominated, entered into between the Authority and a Counterparty, in connection with, or incidental to, the issuance or carrying of Bonds including, without limitation, any other interest rate swap, basis swap, cap, collar, option, floor, forward, derivative or other hedging agreement, arrangement or security entered into in advance of the issuance of Bonds.

Investment Securities means any of the following:

(1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (3) below to the extent unconditionally guaranteed by the United States of America and including interest strips of bonds issued by the Resolution Funding Corporation and held in book-entry form by the Federal Reserve Bank of New York;

(2) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (1);

(3) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(4) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that, except with respect to direct obligations of the State, at the time of their purchase such obligations are rated in either of the two highest long-term or highest short-term Rating Categories by both Moody's and Standard & Poor's;

(6) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (1) or (2) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (1) or (2) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (6) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (6), as appropriate, and (d) which have been rated in one of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by both Moody's and Standard & Poor's in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three (3) years, rated by both Moody's and Standard & Poor's in one of their respective two highest long-term Rating Categories, for comparable types of debt obligations;

(8) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee and its affiliates), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, (b) continuously and fully secured by such securities and obligations as are described above in clauses (1) through (5), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be

an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking, or (c) be issued by an institution the senior debt obligations of which are rated "AA" or higher by Standard & Poor's;

(9) taxable commercial paper, other than that issued by bank holding companies, or tax-exempt commercial paper rated in the highest Rating Category by both Moody's and Standard & Poor's;

(10) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided (a) that the variable rate obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by both Moody's and Standard & Poor's, and (b) that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's;

(11) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars ($100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (1), (2), (3) or (4) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to 103% of the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 103% of the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(12) any cash sweep or similar account arrangement of or available to the Trustee , and which may include funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services, the investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities; provided that as used in this clause (12) investments will be deemed to satisfy the requirements of clause (11) if they meet the requirements set forth in clause (11) ending with the words "clauses (1), (2), (3) or (4) above" and without regard to the remainder of such clause (11);

(13) any investment agreement with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which: (a) has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's, or (b) is fully secured by obligations described in items (1), (2), (3) or (4) of the definition of Investment Securities which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens;

(14) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (1) through (13) of this definition of Investment Securities and which companies have either the highest rating by both Moody's and Standard & Poor's or have an investment advisor registered with the Securities and Exchange Commission with not less than five (5) years experience investing in such securities and obligations and with assets under management in excess of $500,000,000;

(15) shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended from time to time;

(16) bankers' acceptances issued by domestic or foreign banks, which may include the Trustee and its affiliates, that are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by both Moody's and Standard & Poor's, which purchases may not exceed two hundred seventy (270) days maturity;

(17) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture;

(18) general obligation bonds of the State;

(19) financial futures or financial option contracts with an entity the debt securities of which are rated in the highest short-term or one of the two highest long-term rating categories by Moody's and Standard & Poor's; and

(20) Defeasance Securities.

Issue Date means September 23, 2009.

Letter of Credit Fund means a fund by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Liquidity Facility means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, which secures or guarantees the payment of purchase price of such Series of Bonds under certain conditions specified therein, issued by a Liquidity Facility Provider, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

Liquidity Facility Bonds means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

Liquidity Facility Provider means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other institution issuing (or having primary obligation, or acting as agent for the institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

Liquidity Facility Rate means, with respect to a Series of Bonds, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with such Series of Bonds.

Mandatory Sinking Account Payment means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Indenture establishing the terms and provisions of such Series of Bonds to be deposited by the Authority in a Sinking Account for the payment of Term Bonds of such Series and maturity.

Maturity Date means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds. With respect to the 2009 Notes, Maturity Date means October 1, 2010.

Maximum Annual Debt Service means the maximum amount of Annual Debt Service becoming due and payable on all Bonds Outstanding and all Parity Obligations (and all Subordinate Obligations, if applicable) outstanding during the period from the date of such calculation through the final maturity date of the Bonds and Parity Obligations (and Subordinate Obligations, if applicable), calculated utilizing the assumptions set forth under the definition of Debt Service.

Maximum Rate means, with respect to all Bonds other than Liquidity Facility Bonds, the lesser of (i) twelve percent (12%) and (ii) the maximum rate of interest that may legally be paid on the Bonds from time to time, and means, with respect to Liquidity Facility Bonds, the lesser of (x) the Liquidity Facility Rate and (ii) the maximum rate of interest that may legally be paid on the Liquidity Facility Bonds from time to time.

Moody's means, Moody's Investors Service, a corporation duly organized and existing under the laws of the State of Delaware, and its successors and 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 Authority.

Notice Parties means, as and to the extent applicable, the Authority, the Trustee, the Credit Enhancement Provider, if any, for the Series of Bonds to which the notice being given relates, the Liquidity Facility Provider, if any, for the Series of Bonds to which the notice being given relates, and the remarketing agent, if any, for the Series of Bonds to which the notice being given relates.

One Month USD LIBOR Rate means the rate for deposits in U.S. dollars for a one-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the date of determination of such rate, except that, if such rate does not appear on such page on such date, the One Month USD LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-month maturity and in a principal amount of at least U.S. $1,000,000 are offered at approximately 11:00 a.m., London time, on such date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the "Reference Banks") selected by the Trustee (provided, however, that the Trustee may appoint an agent to identify such Reference Banks). The Trustee or its agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the

Trustee or its agent, at approximately 11:00 a.m., New York City time, on such date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. $1,000,000 having a one-month maturity. If none of the banks in New York City selected by the Trustee or its agent is then quoting rates for such loans, then the One Month LIBOR Rate for the ensuing interest period will mean the One Month LIBOR Rate most recently in effect.

Opinion of Bond Counsel means a written opinion of a law firm of national standing in the field of public finance selected by the Authority.

Ordinance means Ordinance No. 06-01, adopted by the Authority on June 21, 2006, which amended and restated Ordinance 88-01, as previously amended, including as amended by Ordinance 04-02, as in effect on the date of execution and delivery of the Indenture and as such Ordinance may hereafter be further amended pursuant to its terms.

Ordinance 04-02 means Ordinance 04-02 adopted by the Authority on May 26, 2004.

Ordinance 88-01 means Ordinance 88-01 adopted by the Contra Costa Transportation Partnership Commission, predecessor to the Authority, on August 3, 1988.

Outstanding, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the provisions of the Indenture described below under the caption "Discharge of Liability on Bonds," and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Authority and the pledge of Revenues and all covenants, agreements and other obligations of the Authority to the Holders shall continue to exist and shall run to the benefit of such Credit Enhancement Provider and such Credit Enhancement Provider shall be subrogated to the rights of such Holders.

Parity Obligations means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money, (ii) any obligation to pay the Rebate Requirement, or (iii) the Existing Swap Agreement and regularly scheduled payments or any other Interest Rate Swap Agreement entered into in connection with a Series of Bonds and identified by the Authority as a Parity Obligation in accordance with the provisions of the Indenture described below under the caption "Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Fund Obligations," in each case incurred in accordance with the provisions of the Indenture described in paragraph (C) below under the caption "Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations," which obligations are secured under the Indenture by a lien and charge upon the Sales Tax Revenues on a parity with the Bonds (whether or not any Bonds are Outstanding). Parity Obligations do not include termination payments or payments for fees and expenses incurred in connection with any Interest Rate Swap Agreement which payments shall be secured as Fee and Expense Obligations.

Participating Underwriter means any of the original underwriters of a Series of Bonds required to comply with 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.

Person means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Principal Fund means the fund by that name established pursuant to the Indenture.

Project means capital outlay expenditures for transportation facility and service improvements within the County, including highway improvements, public transit improvements, local street maintenance and improvements and related transportation programs and purposes as permitted by the Act, the Ordinance and the Expenditure Plan.

Project Fund means, with respect to any Series of Bonds, a fund by that name established pursuant to the provisions of a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the portion of the Project being financed with the proceeds of such Series of Bonds. With respect to the Series 2009 Notes, Project Fund means the Series 2009 Project Fund.

Proportionate Basis, when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an authorized denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of a portion of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

Purchase Fund means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Rating Agency means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody's and Standard & Poor's, but, in each instance, only so long as each such Rating Agency then maintains a rating on such Series of Bonds at the request of the Authority.

Rating Category means with respect to any short-term or long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier.

Rebate Fund means that fund by that name established pursuant to the Indenture.

Rebate Instructions means, with respect to any Series of Bonds, those calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate delivered in connection with such Series of Bonds.

Rebate Requirement means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

Record Date, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds. Record Date, with respect to the Series 2009 Notes, means for any Interest Payment Date the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

Redemption Fund means the fund by that name established pursuant to the Indenture.

Redemption Price means, with respect to any Bond (or portion thereof) the Bond Obligation of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

Refunding Bonds means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions of the Indenture described below under the caption "Issuance of Refunding Bonds."

Repository means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission or any successor agency thereto to receive reports and notices pursuant to Rule 15c2-12.

Reserve Facility means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Indenture described below under the caption "Funding and Application of Bond Reserve Funds," and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

Reserve Facility Provider means any issuer of a Reserve Facility.

Revenue Fund means the fund by that name established pursuant to the Indenture.

Revenues means: (i) all Sales Tax Revenues; and (ii) all Swap Revenues. In accordance with the provisions of the Indenture described below under the caption "Issuance of Additional Bonds," the Authority by Supplemental Indenture may provide for additional revenues or assets of the Authority to be included in the definition of Revenues.

Rule 15c2-12 means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

Sales Tax means the retail transactions and use tax applicable in the incorporated and unincorporated territory of the County levied at the rate of one-half of one percent (1/2%) and imposed pursuant to the provisions of the Ordinance in accordance with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code commencing April 1, 2009.

Sales Tax Revenues means all amounts available for distribution to the Authority on and after April 1, 2009 on account of the Sales Tax, after deducting amounts payable by the Authority to the State Board of Equalization for costs and expenses for its services in connection with the Sales Tax levied pursuant to the Ordinance and collected pursuant to the Act.

Securities Depository means The Depository Trust Company, or such other securities depository as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

Serial Bonds means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

Series, whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as in the Indenture provided.

Series 2009 Notes shall mean the Contra Costa Transportation Authority Sales Tax Revenue Notes (Limited Tax Bonds), Series 2009, authorized by the Indenture.

Series 2009 Costs of Issuance Fund means the Series 2009 Costs of Issuance Fund established pursuant to the Indenture.

Series 2009 Project Fund means the Series 2009 Project Fund established pursuant to the Indenture.

SIFMA Municipal Swap Index means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) ("SIFMA") or by any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

Sinking Account means an account by that name established in the Principal Fund for the payment of Term Bonds.

Standard & Poor's or **S&P** means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and 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 Authority.

State means the State of California.

State Board of Equalization means the California State Board of Equalization.

Subordinate Obligations means any obligations of the Authority issued or incurred in accordance with the provisions of the Indenture described in paragraph (D) below under the caption "Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations," the principal of and interest on which obligations are secured by a lien and charge upon the Sales Tax Revenues on a basis subordinate to Bonds and Parity Obligations. Subordinate Obligations do not include termination payments or payments for fees and expenses incurred in connection with any Interest Rate Swap Agreement which payments shall be secured as Fee and Expense Obligations.

Subordinate Obligations Fund means the fund by that name established pursuant to the Indenture.

Subsidy Payments means payments with respect to the interest due on a Series of Bonds made by the United States Treasury to the Trustee pursuant to Section 54AA of the Code or Section 6431 of the Code or any successor to either of such provisions of the Code.

Supplemental Indenture means any indenture hereafter duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such supplemental indenture is authorized specifically under the Indenture.

Swap Revenues means the amount of all regularly-scheduled payments owed or paid to the Authority by any Counterparty under any Interest Rate Swap Agreement after offset for the amount of all regularly-scheduled payments owed or paid by the Authority to such Counterparty under such Interest Rate Swap Agreement. Swap Revenues do not include termination payments or payments for fees and expenses incurred in connection with any Interest Rate Swap Agreement.

Take-Out Bonds means one or more Series of Bonds to be issued subsequent to the Series 2009 Notes, the proceeds of which are pledged to pay, and together with other available funds will be sufficient to pay, the principal of and interest on the Series 2009 Notes on the maturity date of such Series 2009 Notes.

Tax Certificate means each Tax Certificate delivered by the Authority at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

Tax Expiration Date means March 31, 2034 or such later date to which the levy of the Sales Tax is extended in accordance with the Act.

Term Bonds means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

Trustee means Deutsche Bank National Trust Company, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee as provided in the Indenture.

Variable Rate Indebtedness means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

Revenue Fund; Pledge of Revenues

The Authority shall cause Sales Tax Revenues to be transmitted by the State Board of Equalization directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, all Sales Tax Revenues, when and as received by the Trustee.

(A) As security for the payment of all amounts owing on the Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Fund Obligations, in accordance with the provisions of the Indenture, there are irrevocably pledged to the Trustee: (i) all Revenues; and (ii) all amounts, including proceeds of the Bonds, held on deposit in the funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Fund and any Purchase Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. This pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Authority and all others asserting the rights therein, to the extent set forth, and in accordance with, the Indenture irrespective of whether those parties have notice of such pledge and without the need for any physical delivery, recordation, filing or further act.

All Bonds and Parity Obligations shall be of equal rank without preference, priority or distinction of any Bonds and Parity Obligations over any other Bonds and Parity Obligations. All Subordinate Obligations shall be of equal rank without preference, priority or distinction of any Subordinate Obligations over any other Subordinate Obligations. All Fee and Expense Obligations shall be of equal rank without preference, priority or distinction of any Fee and Expense Obligations over any other Fee and Expense Obligations.

The Sales Tax Revenues and all other amounts held on deposit in the Revenue Fund and the other funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Fund and any Purchase Fund) shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds, the Parity Obligations, the Subordinate Obligations and the Fee and Expense Obligations as their interests may appear under the Indenture and shall be disbursed, allocated and applied solely for the uses and purposes set forth in, and in accordance with the provisions of, the Indenture.

(B) The Bonds are limited obligations of the Authority and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Revenues and other funds pledged under the Indenture.

Allocation of Sales Tax Revenues

So long as any Bonds are Outstanding or any Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or other amounts payable under the Indenture remain unpaid, the Trustee will set aside in each month following receipt of the Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee will establish, maintain and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations, Subordinate Obligations, Fee and Expense Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that (i) on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee (which will be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations); (ii) regularly scheduled payments on Interest Rate Swap Agreements which constitute Parity Obligations shall be payable from the Interest Fund and the required deposits described below shall be adjusted to include payments on such Interest Rate Swap Agreements in accordance with the Indenture; and (iii) in the event any of the deposits or transfers requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient funds to make all such deposits and payments, then such deposits and payments shall be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available funds):

Interest Fund. Following receipt of the Sales Tax Revenues in each month, the Trustee will set aside in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which will be governed by subparagraph (b) below) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six (6) months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which will be governed by subparagraph (b) below) is on deposit in such fund; provided that from the date of delivery of a Series of Current Interest Bonds until the first Interest Payment Date with respect to such Series of Bonds the amounts set aside in such fund with respect to such Series of Bonds will be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said Interest Payment Date with respect to such Series of Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Authority, or if the Authority will not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus one hundred (100) basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month will be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six (6) months upon all of the Bonds issued under the Indenture and then Outstanding and on March 1 and September 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having Interest Payment Dates other than March 1 and September 1) will be transferred to the Authority (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates).

When there are Liquidity Facility Bonds outstanding, such deposits shall take into account and include the Liquidity Facility Rate on Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds.

Principal Fund; Sinking Accounts. Following receipt of the Sales Tax Revenues in each month, the Trustee will deposit in the Principal Fund as soon as practicable in such month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six (6) months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve (12) months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts will have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments will be made without priority of any payment over any other such payment.

In the event that the Sales Tax Revenues will not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys will be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds will bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as will have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as will have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the Sales Tax Revenues will not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts will be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Fund so long as there will be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Indenture and then Outstanding and maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than March 1 of each year, the Trustee will request from the Authority a Certificate of the Authority setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On March 1 of each year any excess amounts in the Principal Fund not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than March 1) will be transferred to the Authority.

When there are any Liquidity Facility Bonds outstanding, such deposits shall take into account and include any amortizations or redemptions of any Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds. For purposes of the provisions of the Indenture described above relating to the Principal Fund, Liquidity Facility Bonds shall be treated as Serial Bonds with maturity dates on the payment dates specified for any amortizations or redemptions.

Bond Reserve Fund. Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee will make such deposit to such Bond Reserve Fund as is required pursuant to the provisions of the Indenture described in paragraph (D) under the caption "Funding and Application of Bond Reserve Funds," each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

Subordinate Obligations Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." After the transfers to the Interest Fund, the Principal Fund and the Bond Reserve Funds described above have been made, the Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Authority shall specify in writing is necessary to make payments due and payable during the following month with respect to Subordinate Obligations then outstanding.

Fees and Expenses Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Fees and Expenses Fund." After the transfers to the Interest Fund, the Principal Fund, the Bond Reserve Funds and the Subordinate Obligations Fund described above have been made, the Trustee will deposit in the Fees and Expenses Fund in each month the amounts necessary for payment of Fee and Expense Obligations owing in such month or owing in the following month by the Authority. The Authority will inform the Trustee of such amounts, in writing, such notification to be provided no later than the tenth calendar day of each month.

Any Revenues remaining in the Revenue Fund after the foregoing transfers in the funds and accounts described above, except as the Authority will otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, will be transferred to the Authority on the same Business Day or as soon as is practicable thereafter. The Authority may use and apply the Revenues when received by it for any lawful purpose of the Authority, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds, the purchase of Bonds as and when and at such prices as it may determine and the posting of collateral in accordance with the provisions of an Interest Rate Swap Agreement.

If five (5) days prior to any principal payment date, Interest Payment Date or mandatory redemption date the amounts on deposit in the Revenue Fund, Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds, with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee will immediately notify the Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Authority covenants and agrees to transfer to the Trustee from any Revenues then in its possession (which Revenues shall not include any Sales Tax Revenues posted by the Authority as collateral pursuant to an Interest Rate Swap Agreement, which Sales Tax Revenues the Authority and the Trustee acknowledge are no longer in possession of the Authority for purposes of the provisions of the Indenture described under this caption or any other provision of the Indenture, including, without limitation, the provisions of the Indenture described above under the caption "Revenue Fund; Pledge of Revenues," the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

Establishment and Application of Funds and Accounts

Each of the funds and accounts described below is established pursuant to the Indenture.

Interest Fund. All amounts in the Interest Fund will be used and withdrawn by the Trustee solely for the purposes of (a) paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture), or for reimbursing the Credit Enhancement Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit, and (b) making regularly scheduled payments on Interest Rate Swap Agreements, as provided in the Indenture.

Principal Fund. All amounts in the Principal Fund will be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts will be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture, or for reimbursing the Credit Enhancement Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit..

The Trustee will establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the "_____ Sinking Account," inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee will transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee will apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee will, upon receipt of a Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Authority, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) will not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having semi- annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Authority has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed will be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to the provisions of the Indenture described herein will be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction will be delivered to the Authority by the Trustee. Any amounts remaining in a Sinking Account on March 1 of each year following the redemption as of such date of the Term Bonds for which such account was established will be withdrawn by the Trustee and transferred as soon as is practicable to the Authority to be used by the Authority for any lawful purpose of the Authority. All Term Bonds purchased from a Sinking Account or deposited by the Authority with the Trustee in a twelve month period ending March 31 (or in a six-month period ending March 31 or September 30 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period will be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next March 1 or September 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Authority. All Term Bonds redeemed by the Trustee from the Redemption Fund will be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Authority.

Funding and Application of Bond Reserve Funds. The Authority may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Authority will be available to secure one or more Series of Bonds as the Authority will determine and will specify in the Supplemental Indenture establishing such Bond Reserve Fund. Any Bond Reserve Fund established by the Authority will be held by the Trustee and will comply with the requirements of the Indenture described under this caption.

In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds in cash or in replacement of moneys then on deposit in any Bond Reserve Fund (which will be transferred by the Trustee to the Authority), or in substitution of any Reserve Facility comprising part of the Bond Reserve Requirement relating to one or more Series of Bonds, the Authority may, at any time and from time to time, deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in the paragraph below, then on deposit in such Bond Reserve Fund, will equal the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such letter of credit will have a term no less than three (3) years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and will provide by its terms that it may be drawn upon as described under this caption. At least one (1) year prior to the stated expiration of such letter of credit, the Authority will either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least one (1) additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements of the Indenture described in the paragraph below. Upon delivery of such replacement Reserve Facility, the Trustee will deliver the then-effective letter of credit to or upon the order of the Authority. If the Authority will fail to deposit a replacement Reserve Facility with the Trustee, the Authority will immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates will be on deposit in such Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates as of the date following the expiration of the letter of credit is not on deposit in such Bond Reserve Fund one (1) week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee will draw on the letter of credit to fund the deficiency resulting therefrom in such Bond Reserve Fund.

In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Bond Reserve Fund (which will be transferred by the Trustee to the Authority) or in substitution of any Reserve Facility comprising part of a Bond Reserve Requirement for any Bonds, the Authority may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy in an amount which, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Bond Reserve Fund, is no less than the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such surety bond or insurance policy will be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated at the time of delivery in one of the two highest Rating Categories of both Moody's and Standard & Poor's. Such surety bond or insurance policy will have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained. In the event that such surety bond or insurance policy for any reason lapses or expires, the Authority will immediately implement (i) or (iii) of the preceding paragraph or make the twelve equal monthly deposits to such Bond Reserve Fund so that the Bond Reserve Fund is replenished to the required level after a year.

Subject to the provisions of the Indenture described in the final paragraph under this caption, all amounts in any Bond Reserve Fund (including all amounts which may be obtained from a Reserve Facility on deposit in such Bond Reserve Fund) will be used and withdrawn by the Trustee, as hereinafter described; (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Bond Reserve Fund relates; or (ii) together with any other moneys available therefor, (x) for the payment or redemption of all Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, (y) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, provided, however, that if funds on deposit in any Bond Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which such Bond Reserve Fund relates, the amount on deposit in the Bond Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Bonds of such Series. Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee will apply amounts held in cash or Investment Securities in any Bond Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Bond Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Bond Reserve Fund, will on a pro rata basis with respect to the portion of a Bond Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Bond Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Bond Reserve Fund relates when due. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so, provided by, the terms of the Reserve Facility, if any, securing the Bonds of Such Series, will so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal of and interest so recovered.

The Trustee will notify the Authority of any deficiency in any Bond Reserve Fund (i) due to a withdrawal from such Bond Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Bond Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Bond Reserve Fund pursuant to the provisions of the Indenture described below under the caption "Investment in Funds and Accounts" and will request that the Authority replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Bond Reserve Requirement. Upon receipt of such notification from the Trustee, the Authority will instruct the Trustee to commence setting aside in each month following receipt of Sales Tax Revenues for deposit in the applicable Bond Reserve Fund an amount equal to one-twelfth (1/12th) of the aggregate amount of each unreplenished prior withdrawal from such Bond Reserve Fund or decrease resulting from a valuation of Investment Securities and will further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates, an amount equal to one-twelfth (1/12th) of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the Sales Tax Revenues each month, commencing with the month following the Authority's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Bond Reserve Fund is at least equal to the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates.

Unless the Authority will otherwise direct in writing, amounts in any Bond Reserve Fund in excess of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates will be transferred by the Trustee to the Authority on the Business Day following March 1 of each year; provided that such amounts will be transferred only from the portion of such Bond Reserve Fund held in the form of cash or Investment Securities. In addition, amounts on deposit in any Bond Reserve Fund will be transferred by the Trustee to the Authority (i) upon the defeasance, retirement or refunding of all or a portion of the Bonds of the Series to which such Bond Reserve Fund relates provided that such transfer shall not be made unless (a) immediately thereafter all of the Bonds to which the Bond Reserve Fund relates shall be deemed to have been paid pursuant to the provisions of the Indenture described below under the caption "Defeasance," or (b) the amount remaining in such Bond Reserve Fund after such transfer shall not be less than the Bond Reserve Requirement applicable to Bonds of the Series to which such Bond Reserve Fund relates or (ii) upon the replacement of cash on deposit in any Bond Reserve Fund with one or more Reserve Facilities in accordance with the provisions of the Indenture described above, subject in the case of a transfer to either clause (i) or clause (ii) to the requirements of the applicable Tax Certificate.

Subordinate Obligations Fund. All moneys in the Subordinate Obligations Fund will be used and withdrawn by the Trustee to pay Subordinate Obligations as such amounts become due and payable.

Fees and Expenses Fund. All amounts in the Fees and Expenses Fund will be used and withdrawn by the Trustee solely for the purpose of paying Fee and Expense Obligations as such amounts will become due and payable.

Redemption Fund. The Trustee will establish, maintain and hold in trust a special fund designated as the "Redemption Fund." All moneys deposited by the Authority with the Trustee for the purpose of optionally redeeming Bonds of any Series will, unless otherwise directed by the Authority, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as will be specified by the Authority in a Request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee will, upon receipt of a Request of the Authority, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Fund) as is directed by the Authority, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund will be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the Authority.

Rebate Fund. Upon receipt of funds to be applied to the Rebate Requirement, the Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee will maintain such accounts as will be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Authority. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the Indenture and by the applicable Tax Certificate or Tax Certificates. The Authority covenants to comply with the directions contained in each Tax Certificate and the Trustee covenants to comply with all written instructions of the Authority delivered to the Trustee pursuant to each Tax Certificate (which instructions will state the actual amounts to be deposited in or withdrawn from the Rebate Fund and will not require the Trustee to make any calculations with respect thereto). The Trustee will be deemed conclusively to have complied with the provisions of the Indenture described in this paragraph if it follows such instructions of the Authority, and the Trustee will have no liability or responsibility to enforce compliance by the Authority with the terms of any Tax Certificate nor to make computations in connection therewith.

Payment Provisions Applicable to Interest Rate Swap Agreements

(A) The Authority shall, promptly after Swap Revenues are paid by the Counterparty under an Interest Rate Swap Agreement, transfer or cause to be transferred to the Trustee for deposit in the Revenue Fund, the Swap Revenues.

(B) The Authority and the Trustee will acknowledge pursuant to the provisions of the Indenture: (i) that the Existing Swap Agreement has been entered into by the Authority; (2) that the obligation of the Authority to make regularly scheduled payments required under the Existing Swap Agreement constitutes a Parity Obligation under the Indenture; and (3) that the obligation of the Authority to pay fees and expenses and termination payments under the Existing Swap Agreement constitutes a Fee and Expense Obligation under the Indenture.

(C) Payments on Interest Rate Swap Agreements that are payable as Parity Obligations (including the payments under the Existing Swap Agreement that constitute Parity Obligations) shall be payable by the Trustee to the Counterparty from the Interest Fund. If such payments on any Interest Rate Swap Agreements are payable to the Counterparty on a semi-annual basis, the Trustee shall set aside in the Interest Fund as soon as practicable in each month an amount equal to one-sixth of the amount due to the Counterparty on the next payment date, until the requisite half-yearly amount of payments due on such Interest Rate Swap Agreement is on deposit in such fund.

(D) Regularly scheduled payments on any Interest Rate Swap Agreement that the Authority has designated as a Subordinate Obligation shall be payable by the Trustee to the Counterparty from the Subordinate Obligations Fund.

(E) Payments on Interest Rate Swap Agreements that are payable as Fee and Expense Obligations shall be payable by the Trustee to the Counterparty from the Fee and Expense Fund.

(F) Notwithstanding any provision of the Indenture to the contrary, the Authority may apply termination payments received in connection with the termination of an Interest Rate Swap Agreement to the defeasance, purchase or redemption of all or a portion of any Bonds then Outstanding.

Investment in Funds and Accounts

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture will be invested, as directed by the Authority, solely in Investment Securities, subject to the limitations set forth in the Indenture. If and to the extent the Trustee does not receive investment instructions from the Authority with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys will be invested in Investment Securities described in clause (12) of the definition thereof and the Trustee will thereupon request investment instructions from the Authority for such moneys.

Moneys in any Bond Reserve Fund will be invested in Investment Securities maturing in not more than 5 years, or having a put option or demand option providing funds upon request for the purpose of payment of the Bonds to which such Bond Reserve Fund relates as provided in the Indenture. Moneys in the remaining funds and accounts will be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds or a Request of the Authority delivered to the Trustee: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest will be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund will be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise will be transferred to the Project Fund established in connection with the Series of Bonds to which such Bond Reserve Fund relates, if any, until such time as such Project Fund shall be closed, and then shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from investment of moneys in a Costs of Issuance Fund shall be retained in such Costs of Issuance Fund until such time as such Costs of Issuance Fund is closed, and any earnings received on a Costs of Issuance Fund subsequent to the closure of such Costs of Issuance Fund shall be transferred to the Revenue Fund; (iv) all interest, profits and other income received from the investment of moneys in a Project Fund will be retained in such Project Fund, unless the Authority will direct that such earnings be transferred to the Rebate Fund; (v) all interest, profits and other income received from the investment of moneys in the Rebate Fund will be retained in the Rebate Fund, except as otherwise provided in the Indenture; (vi) all interest, profits and other income received from investment of moneys in any Letter of Credit Fund or Purchase Fund shall be retained in such Letter of Credit Fund or Purchase Fund, as applicable; and (vii) all interest, profits and other income received from the investment of moneys in any other fund or account will be transferred to the Revenue Fund.

All Investment Securities credited to any Bond Reserve Fund will be valued (at market value) as of March 1 and September 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary in the Indenture, in making any valuations of investments under the Indenture, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture (except the Rebate Fund, any Letter of Credit Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture will be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Authority may impose its customary charge therefor. The Trustee may sell at the best price obtainable consistent with the Trustee's customary trading practices, or present for redemption, any Investment Securities so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee will not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of the Indenture.

Issuance of Take-Out Bonds; Proceedings for Issuance of Take-Out Bonds and Other Obligations

Issuance of Take-Out Bonds. Whenever the Authority shall determine to issue the Take-Out Bonds, the Authority (i) shall authorize the execution of a Supplemental Indenture specifying the principal amount, and prescribing the forms of the Take-Out Bonds and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions, tender provisions, if any, and place or places of payment of principal or Redemption Price, if any, of and interest on such Take-Out Bonds, and any other provisions respecting the Take-out Bonds not inconsistent with the terms of the Indenture, (ii) shall execute such Supplemental Indenture and (iii) shall deliver such Supplemental Indenture to the Trustee for execution.

Proceedings for Issuance of Take-Out Bonds. In connection with the issuance of the Take-Out Bonds, the Authority will comply with the provisions of the Indenture described above under the caption

"Issuance of Take-Out Bonds." In addition, the Authority shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Take-Out Bonds have been satisfied).

(A) A Supplemental Indenture authorizing such Take-Out Bonds executed by the Authority.

(B) A Certificate of the Authority certifying that the aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by the Act or any other law or by any Supplemental Indenture.

(C) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Take-Out Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

Nothing in the Indenture shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of the Take-Out Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such Take-Out Bonds or any portion thereof.

Issuance of Additional Bonds. The Authority may by Supplemental Indenture establish one or more additional Series of Bonds, payable from Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with the Series 2009 Notes, and the Authority may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as will be determined by the Authority, but only, with respect to each additional Series of Bonds issued subsequent to the Series 2009 Notes issued under the Indenture, upon compliance by the Authority with the provisions of the Indenture described under this caption and below under the caption "Proceedings for Issuance of Additional Bonds" and any additional requirements set forth in said Supplemental Indenture and subject to the specific conditions set forth below, each of which is made a condition precedent to the issuance of any such additional Series of Bonds (excluding the Take-Out Bonds which shall be issued in accordance with the provisions of the Indenture described above under the caption "Issuance of Take-Out Bonds" and the caption "Proceedings for Issuance of Take-Out Bonds"):

(A) No Event of Default will have occurred and then be continuing.

(B) Subject to the provisions of the Indenture described above under the caption "Funding and Application of Bond Reserve Funds," in the event a Supplemental Indenture providing for the issuance of such Series of Bonds will require either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Indenture providing for the issuance of such additional Series of Bonds will require deposit of the amount necessary. Said deposit will be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Authority or from both such sources or may be made in the form of a Reserve Facility.

(C) The aggregate principal amount of Bonds issued under the Indenture will not exceed any limitation imposed by the Act or any other law or by any Supplemental Indenture.

(D) The Authority shall place on file with the Trustee a Certificate of the Authority certifying: (i) that the amount of Sales Tax Revenues collected during any twelve (12) consecutive calendar months specified by the Authority within the most recent eighteen (18) calendar months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued and (ii) that the amount of Sales Tax Revenues collected during any twelve (12) consecutive calendar months specified by the Authority within the most recent eighteen (18) calendar months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 1.15 times Maximum Annual Debt Service on all Series of Bonds, Parity Obligations and Subordinate Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.

(E) Principal payments of each additional Series of Bonds will be due on March 1 or September 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments will be due on March 1 and September 1 in each year to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Bond to be issued.

Nothing in the Indenture will prevent or be construed to prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

In the event additional assets or revenues are included within the definition of "Revenues" by a Supplemental Indenture, such additional assets or revenues will be included in the calculations to be provided pursuant to the provisions of the Indenture described in paragraph (D) above as if such additional assets or revenues had always been included in "Revenues."

Proceedings for Issuance of Additional Bonds. Before any additional Series of Bonds will be issued and delivered (excluding the Take-Out Bonds which shall be issued and delivered in accordance with the provisions described above under the caption "Issuance of Take-Out Bonds" and the caption "Proceedings for Issuance of Take-Out Bonds"), the Authority will file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied).

(A) A Supplemental Indenture authorizing such Series executed by the Authority.

(B) A Certificate of the Authority certifying: (i) that no Event of Default has occurred and is then continuing (or that the issuance of such Series of Bonds will cure any such Event of Default); and (ii) that the requirements of the Indenture described in paragraphs (B) and (C) above under the caption "Issuance of Additional Bonds" have been satisfied by the Authority.

(C) A Certificate of the Authority certifying that the requirement of the Indenture described in paragraph (D) above under the caption "Issuance of Additional Bonds" is satisfied.

(D) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

Issuance of Refunding Bonds. Refunding Bonds (excluding the Take-Out Bonds which shall be authorized and issued in accordance with the provisions set forth above in paragraph (D) under the caption "Issuance of Take-Out Bonds; Proceedings for Issuance of Take-Out Bonds" may be authorized and issued by the Authority without compliance with the provisions of the Indenture described above under the captions "Issuance of Additional Bonds" and "Proceedings for Issuance of Additional Bonds;" provided that the Trustee shall have been provided with a Certificate of the Authority to the effect that the Authority has determined that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

(1) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;

(2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;

(3) any termination payment owed by the Authority to a Counterparty after offset for any payments made to the Authority from such Counterparty under any Interest Rate Swap Agreement which was entered into in connection with the Bonds or Parity Obligations to be refunded and all fees and expensed incidental to the payment of such termination payment;

(4) interest on all Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;

(5) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded; and

(6) funding a Bond Reserve Fund for the Refunding Bonds, if required.

Before such Series of Refunding Bonds will be issued and delivered pursuant to the provisions of the Indenture described under this caption, the Authority will file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Indenture authorizing such Series of Refunding Bonds executed by the Authority.

(2) A Certificate of the Authority certifying: (i) that Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding Bonds; and (ii) that the requirements of the Indenture described in paragraphs (A), (B), and (C) under the caption "Issuance of Additional Bonds" are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the Authority; provided, however, that in lieu of

such instructions or waiver or proof of notice of redemption, the Authority may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds; and provided further that no provision of the Indenture will be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Refunding Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations. The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Sales Tax Revenues except the following:

(A) Bonds authorized pursuant to provisions of the Indenture described above under the captions "Issuance of Take-Out Bonds" and "Issuance of Additional Bonds;"

(B) Refunding Bonds authorized pursuant to the provisions of the Indenture described above under the caption "Issuance of Refunding Bonds";

(C) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:

(1) Such Parity Obligations have been duly and legally authorized by the Authority for any lawful purpose;

(2) No Event of Default will have occurred and then be continuing (or the issuance of such Bonds will cure any such Event of Default), as evidenced by the delivery of a Certificate of the Authority to that effect, which Certificate of the Authority shall be filed with the Trustee;

(3) Such Parity Obligations (i) are being issued or incurred either (x) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in the Indenture and described above under the caption "Issuance of Refunding Bonds" or (y) the Authority will have placed on file with the Trustee a Certificate of the Authority, upon which the Trustee may conclusively rely certifying that the requirements of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which Certificate will also set forth the computations upon which such Certificate is based, or (ii) constitute an Interest Rate Swap Agreement designated as a Parity Obligation by the Authority in accordance with the provisions of the Indenture described below under the caption "Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Fund Obligations," which Interest Rate Swap Agreement is being entered into in advance of the issuance of Bonds to which such Interest Rate Swap Agreement relates and the Authority shall have placed on file with the Trustee a Certificate of the Authority, upon which the Trustee may conclusively rely, which Certificate shall set forth the computations upon which such Certificate is based, to the effect that issuance of the Bonds to which such Interest Rate Swap Agreement relates is expected to satisfy the requirements of the provisions of the Indenture described in paragraph (D) above under the

caption "Issuance of Additional Bonds," after taking into account adjustment of Debt Service on the Bonds to reflect the impact of the Interest Rate Swap Agreement;

(4) As and to the extent applicable, the Trustee will be designated as paying agent or trustee for such Parity Obligations and the Authority will deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee will not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

(D) Subordinate Obligations, provided that the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied:

(1) Such Subordinate Obligations have been duly and legally authorized by the Authority for any lawful purpose;

(2) No Event of Default will have occurred and then be continuing (or the issuance of such Bonds will cure any such Event of Default), as evidenced by the delivery to the Trustee of a Certificate of the Authority to that effect;

(3) Such Subordinate Obligations (i) are being issued or incurred either (x) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds in accordance with the provisions of the Indenture described above under the caption "Issuance of Refunding Bonds," or (y) the Authority shall have placed on file with the Trustee a Certificate of the Authority certifying (aa) that the amount of Sales Tax Revenues collected during any twelve (12) consecutive calendar months specified by the Authority within the most recent eighteen (18) calendar months immediately preceding the date on which such Subordinate Obligations will be incurred shall have been at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and (bb) that the amount of Sales Tax Revenues collected during any twelve (12) consecutive calendar months specified by the Authority within the most recent eighteen (18) calendar months immediately preceding the date on which such Subordinate Obligations will be incurred shall have been at least equal to 1.15 times Maximum Annual Debt Service on all Series of Bonds, Parity Obligations and Subordinate Obligations then Outstanding and the additional Subordinate Obligations then proposed to be incurred, which Certificate shall also set forth the computations upon which such Certificate is based, or (ii) constitute an Interest Rate Swap Agreement designated as a Subordinate Obligation by the Authority in accordance with the provisions of the Indenture described below under the caption "Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Fund Obligations," which Interest Rate Swap Agreement is being entered into in advance of the issuance of Bonds to which such Interest Rate Swap Agreement relates or the issuance or incurrence of the Subordinate Obligation to which such Interest Rate Swap Agreement relates, and the Authority shall have placed on file with the Trustee a Certificate of the Authority, upon which the Trustee may conclusively rely, which Certificate shall set forth the computations upon which such Certificate is based, to the effect that issuance of the Bonds to which such Interest Rate Swap Agreement relates or the issuance or incurrence of the Subordinate Obligation to which such Interest Rate Swap Agreement relates is expected to satisfy the requirements hereinabove set forth in clause (i)(y) as described under this caption, after taking into account adjustment of Debt Service on the Bonds or Subordinate Obligations, as applicable, to reflect the impact of the Interest Rate Swap Agreement; and

(4) As and to the extent applicable, the Trustee will be designated as paying agent or trustee for such Subordinate Obligations and the Authority will deliver to the Trustee a transcript of the proceedings providing for the issuance of such Subordinate Obligations (but the Trustee

will not be responsible for the validity or sufficiency of such proceedings or such Subordinate Obligations).

Calculation of Maximum Annual Debt Service. For purposes of issuance of Bonds under the Indenture, Maximum Annual Debt Service with respect to Bonds shall be determined no later than the date of delivery of such Bonds, and no earlier than the sixtieth (60th) day preceding the date of pricing or sale of such Bonds, utilizing the assumptions set forth in the definition of Debt Service. Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service; provided, however, that if a Parity Obligation is contingent upon funds being provided pursuant to such Parity Obligation to pay principal, or purchase price of, or interest on a Bond, such Parity Obligation shall not be considered outstanding until such payment is made thereunder. Maximum Annual Debt Service with respect to Subordinate Obligations shall be determined no later than the date of incurrence of such Subordinate Obligations utilizing the assumptions set forth in the definition of Debt Service; provided, however, that if a Subordinate Obligation is contingent (such Subordinate Obligation being referred to under this caption as a "Contingent Subordinate Obligation") upon funds being provided pursuant to such Contingent Subordinate Obligation to pay principal, or purchase price of, or interest on another Subordinate Obligation, such Contingent Subordinate Obligation shall not be considered outstanding until such payment is made under such Contingent Subordinate Obligation.

Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations. The obligation of the Authority to make regularly scheduled payments required under the Existing Swap Agreement constitutes a Parity Obligation under the Indenture and the obligation of the Authority to pays fees and expenses and termination payments under the Existing Swap Agreement constitutes a Fee and Expense Obligation under the Indenture.

Upon the issuance or incurrence of any other obligations which constitute Parity Obligations, Subordinate Obligations or Fee and Expense Obligations, the Authority shall file a Certificate of the Authority with the Trustee identifying such obligations as Parity Obligations, Subordinate Obligations or Fee and Expense Obligations, as applicable, such Certificate of the Authority to be filed with the Trustee concurrently with the issuance or incurrence of such obligations.

Certain Covenants of the Authority

Punctual Payments. The Authority will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and will punctually pay or cause to be paid all Mandatory Sinking Account Payments and will punctually pay or cause to be paid all Parity Obligations, Subordinate Obligations and Fee and Expense Obligations, but in each case only out of Revenues as provided in the Indenture.

Against Encumbrances. The Authority will not create any pledge, lien or charge upon any of the Sales Tax Revenues having priority over or having parity with the lien of the Bonds, the Parity Obligations, the Subordinate Obligations and the Fee and Expense Obligations, except as permitted under the Indenture.

Accounting Records and Financial Statements. The Authority will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries will be made of all transactions relating to the Revenues. Such books of record and account will be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

The Authority will furnish the Trustee, with copies to each Credit Enhancement Provider and each Liquidity Facility Provider, within two hundred ten (210) days after the end of each Fiscal Year, or as soon thereafter as they can practically be furnished, the financial statements of the Authority for such Fiscal Year, together with the report of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of an Authorized Representative stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Authority to cure such default. Thereafter, a copy of such financial statements will be furnished to any Holder upon written request to the Authority, which copy of the financial statements may, at the sole discretion of the Authority, be provided by means of posting such financial statements on an internet site that provides access to the Holders.

Collection of Sales Tax Revenues. The Authority covenants and agrees that it has duly levied the Sales Tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Authority and the electorate of the County. Said Ordinance will not be amended, modified or altered so long as any Bonds are Outstanding or any Parity Obligations, Subordinate Obligations or Fee and Expense Obligations remain unpaid in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues, and the Authority will continue to levy and collect the Sales Tax to the full amount permitted by law. The Authority has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization processes and supervises collection of the Sales Tax and covenants that the Authority will amend such Agreement to provide that the Sales Tax Revenues will be transmitted directly to the Trustee. Said agreement will be continued in effect so long as any Bonds are Outstanding or any Parity Obligations, Subordinate Obligations or Fee and Expense Obligations remain unpaid and will not be further amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding or any Parity Obligations, Subordinate Obligations or Fee and Expense Obligations remain unpaid. The Authority will receive and hold in trust for (and remit immediately to) the Trustee any Sales Tax Revenues paid to the Authority by the State Board of Equalization.

Sales Tax Revenues received by the Trustee will be transmitted to the Authority pursuant to the provisions of the Indenture described under the caption "Allocation of Sales Tax Revenues" above; provided that, during the continuance of an Event of Default, any Sales Tax Revenues received by the Trustee will be applied as more fully set forth in the Indenture and described under the caption "Application of Revenues and Other Funds After Default" below.

The Authority covenants and agrees to separately account for all Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The Authority covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Act which would materially and adversely affect the rights of Bondholders.

Tax Covenants. The Authority covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Authority may exclude the application of the covenants contained in the Indenture and described under this caption and the caption "Rebate Fund" above to such Series of Bonds. Without limiting generality of the foregoing, pursuant to the provisions of the Indenture, the Authority agrees to comply with the Tax Certificate relating to each Series of Bonds. In the event that at any time the Authority is of the opinion that for purposes of the provisions of the Indenture described under this caption it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Authority will so instruct the Trustee in writing, and the Trustee will take such action as may be necessary in accordance with such instructions.

Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Authority covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Undertaking executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the provisions of any Continuing Disclosure Undertaking will not be considered an Event of Default; however, the Trustee will, at the written request of any Participating Underwriter or of the Holders of at least twenty-five (25%) aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under the provisions of the Indenture described under this caption.

Events of Default and Remedies

Events of Default. The following are Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment will become due and payable;

(C) if the Authority will fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (A) or (B) above, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Trustee or by any Credit Enhancement Provider; except that, if such failure can be remedied but not within such sixty (60) day period and if the Authority has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure will not become an Event of Default for so long as the Authority will diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default will exist under any agreement governing any Parity Obligations and such default will continue beyond the grace period, if any, provided for with respect to such default;

(E) if the Authority files a petition in voluntary bankruptcy or commences any similar proceeding under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(F) if a court of competent jurisdiction will enter an order, judgment or decree declaring the Authority insolvent, or adjudging it bankrupt, or ordering relief under any applicable bankruptcy or insolvency law, or appointing a trustee or receiver of the Authority, or approving a bankruptcy petition filed against the Authority under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree will not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(G) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Authority or of the Revenues, and such custody or control will not be terminated within sixty (60) days from the date of assumption of such custody or control; or

(H) if the Legislature of the State will repeal or amend all or any portion of the provisions of the Act relating to the retail transactions and use tax, being Sections 180200 to 180207, inclusive, of the Public Utilities Code of the State unless the Authority has reasonably determined that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

Application of the Revenues and Other Funds After Default; No Acceleration. If an Event of Default will occur and be continuing, the Authority will immediately transfer to the Trustee all Revenues held by it (which Revenues shall not include any Sales Tax Revenues posted by the Authority as collateral pursuant to an Interest Rate Swap Agreement, which Sales Tax Revenues the Authority and the Trustee acknowledge are no longer in possession of the Authority for purposes of any provision of the Indenture, including, without limitation, the provisions of the Indenture described above under the caption "Revenue Fund; Pledge of Revenues") and the Trustee will apply all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding the Rebate Fund, any Letter of Credit and any Purchase Fund and except as otherwise provided in the Indenture) as follows and in the following order:

(1) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) to the payment of the whole amount of Bond Obligation then due on the Bonds and amounts then due on Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and on Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which will have become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available will not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) or other amounts due on such date to the persons entitled thereto, without any discrimination or preference.

(3) to the payment of Subordinate Obligations, provided that if the amount available shall not be sufficient to pay in full all Subordinate Obligations, then to the payment thereof ratably;

(4) to the payment of Fee and Expense Obligations, provided that, if the amount available shall not be sufficient to pay in full all Fee and Expense Obligations, then to the payment thereof ratably; and

(5) to the payment of all other obligations payable under the Indenture.

Notwithstanding anything in the Indenture to the contrary, in no event are the Bonds (excluding Liquidity Facility Bonds which may be subject to acceleration as set forth in the applicable Liquidity Facility) subject to acceleration if an Event of Default occurs and is continuing.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Enhancement Provider providing such Credit Enhancement, or if such Credit Enhancement Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Enhancement Provider providing such Credit Enhancement. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Bondholders' Direction of Proceedings. Anything in the Indenture to the contrary (except provisions relating to the rights of a Credit Enhancement Provider to direct proceedings as set forth in the Indenture and described in the caption "Credit Enhancement Provider Directs Remedies Upon Event of Default" below) notwithstanding, the Holders of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Obligations not parties to such direction.

Limitation on Bondholders' Right to Sue. No Holder of any Bond will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless: (1) such Holder will have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee; provided, however, that the written consent of a Credit Enhancement Provider providing a Credit Enhancement with respect to a Series of Bonds will be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Credit Enhancement Provider Directs Remedies Upon Event of Default. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Credit Enhancement Provider then providing Credit Enhancement for any Series of Bonds will be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds secured by such Credit Enhancement or granted to the Trustee for the benefit of the Holders of the Bonds benefited by such Credit Enhancement, provided that the Credit Enhancement Provider's consent will not be required as otherwise provided in the Indenture if such Credit Enhancement Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Enhancement Provider.

Modification or Amendment of the Indenture

Amendments Permitted. The Indenture and the rights and obligations of the Authority, the Holders of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into when the written consent of the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding will have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture. The Credit Enhancement Provider for a Series of

Bonds shall be deemed to be the Holder of such Series of Bonds for purposes of consenting to modifications or amendments pursuant to the Indenture.

No such modification or amendment will (a) extend the maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof.

The Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bondholders, but only to the extent permitted by the Act and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable, and which will not materially and adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially and adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of the Take-Out Bonds and the issuance of additional Series of Bonds subsequent to the issuance of the Take-Out Bonds, in each case pursuant to the provisions of the Indenture described above under the caption "Issuance of Take-Out Bonds" and under the caption "Proceedings for Issuance of Take-Out Bonds;"

(5) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance or incurrence, as applicable, of Build America Bonds, Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Authority may deem desirable; subject to the provisions of the Indenture described above under the captions "Issuance of Additional Bonds," "Proceedings for Issuance of Additional Bonds," and "Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations;"

(6) to make modifications or adjustments necessary, appropriate or desirable to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(7) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(8) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of a remarketing agent in connection with any Series of Bonds;

(9) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(10) if the Authority agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(11) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(12) to modify, alter, amend or supplement the Indenture in any other respect, including amendments that would otherwise be described in the first two paragraphs under this caption, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture; or if notice of the proposed amendments is given to Holders of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture; and

(13) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Any Supplemental Indenture entered into pursuant to the provisions of the Indenture described under this caption will be deemed not to materially adversely affect the interest of the Holders so long as (i) all Bonds are secured by a Credit Enhancement and (ii) each Credit Enhancement Provider will have given its written consent to such Supplemental Indenture in accordance with the provisions of the Indenture.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Holders of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Defeasance

Discharge of Indenture. Bonds of any Series or a portion thereof may be paid by the Authority in any of the following ways:

(A) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities") to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Authority will pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable and to become payable under the Indenture by the Authority, including any amounts payable under any Parity Obligations, Subordinate Obligations or Fee and Expense Fund Obligations, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds will not have been surrendered for payment, the Indenture and the pledge of Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture will cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Authority, the Trustee will cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to the Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from a firm of certified public accountants or other independent consulting firm, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities") to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption will have been given as in the Indenture provided or provision satisfactory to the Trustee will have been made for the giving of such notice, then all liability of the Authority in respect of such Bond will cease, terminate and be completely discharged, provided that the Holder thereof will thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Authority will remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

If the Bonds being discharged are Variable Rate Indebtedness, (i) the Bonds shall be redeemed at the first possible redemption date or purchase date applicable to such Bonds after any required notice is provided and to the extent the rate of interest payable on such Bonds prior to such redemption or purchase date is not known, such rate of interest shall be assumed to be the maximum rate payable thereon or (ii) the Trustee shall receive a confirmation from the Rating Agency then rating the Bonds that the defeasance will not result in the reduction or withdrawal of the then-current ratings on the Bonds.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any

Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given as in the Indenture provided or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Defeasance Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as in the Indenture provided or provision satisfactory to the Trustee will have been made for the giving of such notice; provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Indenture or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one (1) year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or one (1) year after the date of deposit of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, will, to the extent permitted by law, be repaid to the Authority free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, will be held in trust for the account of the Holders thereof and the Trustee will not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the Authority) for interest earned on, moneys so held. Any interest earned thereon will belong to the Authority and will be deposited upon receipt by the Trustee into the Revenue Fund.

First Supplemental Indenture

General. Under the First Supplemental Indenture, the Authority has authorized the Series 2009 Notes for the purpose of providing funds to finance costs of the Project and to refinance certain other costs of the Project previously financed from the proceeds of the Commercial Paper Notes, to pay Costs of Issuance of the Series 2009 Notes and to pay or reimburse the Authority for its prior payment of the termination payment due in connection with reduction in the notional amount of the Existing Swap Agreement.

Series 2009 Notes Not Subject to Redemption. The Series 2009 Notes shall not be subject to redemption prior to the Maturity Date.

Establishment of Funds. The following funds are established under the First Supplemental Indenture in connection with the Series 2009 Notes:

(a) To ensure proper application of such portion of proceeds from the sale of the Series 2009 Notes to be applied to pay the costs of the Project, there is established under the Indenture the Series 2009 Project Fund.

(b) To ensure proper application of such portion of proceeds from the sale of the Series 2009 Notes to be applied to pay Costs of Issuance, there is established under the Indenture the Series 2009 Costs of Issuance Fund.

Funding and Application of the Series 2009 Project Fund. The monies set aside and placed in the Series 2009 Project Fund shall remain therein until expended for the purpose of paying costs of the Project and shall not be used for any other purpose whatsoever except, if so directed in writing by the Authority, to pay rebate.

Funding and Application of the Series 2009 Costs of Issuance Fund. The monies set aside and placed in the Series 2009 Costs of Issuance Fund shall remain therein until from time to time disbursed by the Trustee to pay for Costs of Issuance incurred in connection with issuance of the Series 2009 Notes upon Requisition of the Authority. Any amounts remaining in the Series 2009 Costs of Issuance Fund one hundred eighty (180) days after the date of issuance of the Series 2009 Notes shall be transferred to the Series 2009 Project Fund.

Additional Covenants and Provisions Relating to the Take-Out Bonds

Best Efforts to Issue Take-Out Bonds. Unless the Series 2009 Notes have been paid or defeased pursuant to the provisions of the Indenture described above under the caption "Defeasance" prior to the Maturity Date, the Authority agrees to use its best efforts to issue Take-Out Bonds or to obtain financing at any interest rate not in excess of the Maximum Rate, in each case subject to the terms of the Indenture, in order to provide funds, together with other lawfully available funds, sufficient to pay the principal of, and accrued interest on, the Series 2009 Notes on or prior to the Maturity Date. The proceeds of such Take-Out Bonds are pledged to pay the principal of and accrued interest on the Series 2009 Notes.

In accordance with the provisions of the Indenture, the Authority will advise the Trustee that the Authority intends to pay the principal of the Series 2009 Notes due on the Maturity Date from the proceeds of such Take-Out Bonds and the Authority will instruct the Trustee that it will not be necessary to set aside amounts in the Principal Fund for the payment of the principal of the Series 2009 Notes due on the Maturity Date.

Limitations on Issuance of Obligations Payable from Sales Tax Revenues. Subsequent to the issuance of the Series 2009 Notes, the Authority covenants and agrees that the Authority will not, so long as the Series 2009 Notes are Outstanding: (i) issue any additional Bonds other than the Take-Out Bonds; (ii) incur any additional Parity Obligations (other than Parity Obligations relating to Rebate Requirement obligations); (iii) issue or incur any additional Subordinate Obligations unless such Subordinate Obligations mature after the Maturity Date and do not require the Authority to make any payments of principal on or prior to the Maturity Date; (iv) issue or incur any additional Fee and Expense Obligations; or (v) issue or incur any additional obligations or securities, howsoever denominated, payable in whole or in part from Sales Tax Revenues unless such obligations or securities mature after the Maturity Date and do not require the Authority to make any payments of principal on or prior to the Maturity Date.

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC, and the Contra Costa Transportation Authority (the "Authority") and Merrill Lynch, Pierce, Fenner & Smith, Incorporated and Barclays Capital Inc. (together, the "Underwriters") take no responsibility for the accuracy thereof. The Authority and the Underwriters cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of principal of, premium if any, and interest on ("Debt Service") the Series 2009 Notes; (b) confirmations of ownership interest in the Series 2009 Notes; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2009 Notes, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will 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.

Neither the Authority, the Underwriters, nor Deutsche Bank National Trust Company, as trustee (the "Trustee") will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners, as defined below, with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Series 2009 Notes; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Indenture (as such term is defined in the Official Statement to which this Appendix D is attached); or (4) any consent given or other action taken by DTC as registered owner of the Series 2009 Notes.

1. DTC will act as securities depository for the Series 2009 Notes (herein, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the

DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

8. Redemption proceeds, principal and interest payments on the Securities will be made to

Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts or customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Trustee. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Trustee's DTC account.

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

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Series 2009 Notes, the provisions of the Indenture relating to place of payment, transfer and exchange of the Series 2009 Notes, regulations with respect to exchanges and transfers, bond register, Series 2009 Notes mutilated, destroyed or stolen, and evidence of signatures of Holders and ownership of Series 2009 Notes will govern the payment, registration, transfer, exchange and replacement of the Series 2009 Notes. Interested persons should contact the Authority for further information regarding such provisions of the Indenture.

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APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Contra Costa Transportation Authority
Pleasant Hill, California

Contra Costa Transportation Authority
Sales Tax Revenue Notes (Limited Tax Bonds), Series 2009
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Contra Costa Transportation Authority (the "Authority") in connection with the issuance by the Authority of $200,000,000 aggregate principal amount of Contra Costa Transportation Authority Sales Tax Revenue Notes (Limited Tax Bonds), Series 2009 (the "Notes"), issued pursuant to the provisions of an Indenture, dated as of September 1, 2009, as supplemented by a First Supplemental Indenture, dated as of September 1, 2009 (hereinafter collectively referred as the "Indenture"), between the Authority and Deutsche Bank National Trust Company, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the Authority, opinions of counsel to the Authority and the Trustee, certificates of the Authority, the Trustee 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 speaks only as of its date and 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 Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture 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 Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Indenture 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 local transportation authorities in the State of California. 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 Indenture 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, dated September 18, 2009, or other offering material relating to the Notes 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 Notes constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority.

3. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. We express no opinion regarding whether interest on the Notes is included in adjusted current earnings when calculating corporate alternative minimum taxable income, nor do we express any opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

The Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Contra Costa Transportation Authority (the "Issuer") and Deutsche Bank National Trust Company, in its capacity as trustee (the "Trustee") and as dissemination agent (the "Dissemination Agent") in connection with the issuance of $200,000,000 aggregate principal amount of Contra Costa Transportation Authority Sales Tax Revenue Notes (Limited Tax Bonds), Series 2009 (the "Notes"). The Notes are being issued pursuant to an Indenture, as supplemented by a First Supplemental Indenture thereto, each dated as of September 1, 2009 (hereinafter collectively referred to as the "Indenture"), between the Issuer and the Trustee. The Issuer, the Dissemination Agent and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. The Disclosure Agreement is being executed and delivered by the Issuer, the Trustee and the Dissemination Agent for the benefit of the Holders (as such term is defined in the Indenture) and Beneficial Owners (as such term is defined in the Disclosure Agreement) of the Notes and in order to assist the Participating Underwriters (as such term is defined in the Disclosure Agreement) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Notes (including persons holding Notes through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Executive Director of the Issuer or his designee or the Chief Financial Officer of the Issuer or his designee, or such other officer or employee as the Issuer shall designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Deutsche Bank National Trust Company, acting in its capacity as Dissemination Agent under the Disclosure Agreement, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 3(a) of the Disclosure Agreement.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Repository" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission or any successor agency thereto.

"State" shall mean the State of California.

SECTION 3. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. unscheduled draws on the debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions or events adversely affecting the tax-exempt status of the Notes;

7. modifications to rights of Holders;

8. note calls;

9. defeasances;

10. release, substitution or sale of property securing repayment of the Notes; and

11. rating changes.

(b) The Trustee shall, within one (1) Business Day, or as soon thereafter as reasonably practicable, of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of the Disclosure Agreement "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer at the Corporate Trust Office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Trustee shall have no responsibility to determine the materiality of any of the Listed Events. In the absence of such direction from the Issuer (upon which the Dissemination Agent may conclusively rely), the Dissemination Agent shall not report such event unless such event is otherwise required to be reported by the Trustee to the Holders under the Indenture.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the

Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Indenture.

SECTION 4. Termination of Reporting Obligation. The obligations of the Issuer, the Trustee and the Dissemination Agent under the Disclosure Agreement shall terminate upon the legal defeasance or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(f).

SECTION 5. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to the Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Trustee. The Dissemination Agent shall not be responsible for filing any report in a form not eligible for filing or not provided to it by the Issuer in a timely manner.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Agreement, the Issuer, the Trustee and the Dissemination Agent may amend the Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided, neither the Trustee nor the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations under the Disclosure Agreement), and any provision of the Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), such amendment 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 Notes, or the type of business conducted;

(b) The Disclosure Agreement, as amended or taking into account the waiver proposed, 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 Notes, 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 Notes in the same manner as provided in the Indenture with respect to amendments to the Indenture which require the consent of Holders; or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

Notwithstanding the foregoing or any other provision of the Disclosure Agreement to the contrary, the Issuer may amend the Disclosure Agreement without satisfying any of the conditions set forth above in this Section 6 if (i) such amendment is made in connection with a change in the Rule and (ii) such amendment is made in order to comply with such change in the Rule.

SECTION 7. Additional Information. Nothing in the Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Agreement. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the Issuer or the Trustee or the Dissemination Agent to comply with any provision of the Disclosure Agreement, the Trustee, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Notes, shall (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever), or any Holder or Beneficial Owner of the Notes may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Disclosure Agreement in the event of any failure of the Issuer or the Trustee or the Dissemination Agent to comply with the Disclosure Agreement shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to the Disclosure Agreement as if the Disclosure Agreement were (solely for this purpose) contained in the Indenture, and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in the Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties under the Disclosure Agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's respective negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and the Trustee and payment of the Notes. The Dissemination Agent shall be paid compensation by the Issuer for its services provided under the Disclosure Agreement in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties under the Disclosure Agreement. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them under the Disclosure Agreement and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders, or any other party.

SECTION 10. Notices. Any notices or communications to or among any of the parties to the Disclosure Agreement may be given as follows:

To the Issuer: Contra Costa Transportation Authority
3478 Buskirk Avenue
Pleasant Hill, California 94523
Attention: Chief Financial Officer
Telephone: (925) 256-4725
Fax: (925) 256-4703

To the Trustee: Deutsche Bank National Trust Company
101 California Street, 46th Floor
San Francisco, California 94111
Attention: Corporate Trust Department
Telephone: (415) 617-2872
Fax: (415) 617-4280

To the Dissemination Agent: Deutsche Bank National Trust Company
101 California Street, 46th Floor
San Francisco, California 94111
Attention: Corporate Trust Department
Telephone: (415) 617-2872
Fax: (415) 617-4280

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) or fax number(s) to which subsequent notices or communications should be sent. Notices may also be given by electronic means.

SECTION 11. Beneficiaries. The Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. The Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

Date: September __, 2009.

CONTRA COSTA TRANSPORTATION AUTHORITY

By____
Chief Financial Officer

DEUTSCHE BANK NATIONAL TRUST COMPANY, as Trustee and Dissemination Agent

By____
Authorized Officer

By____
Authorized Officer