PRELIMINARY OFFICIAL STATEMENT DATED __________, 2019

NEW ISSUE – FULL BOOK–ENTRY

RATINGS: Fitch: “___”
S&P: “___”
See “**RATINGS**”

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

$__________*
County of Monterey
2019 Certificates of Participation
(Public Facilities Refinancing)

Dated: Date of Delivery **Due October 1, as shown below**

Certificates. The certificates of participation captioned-above (the “Certificates”) evidence and represent direct, undivided fractional interests of the Owners thereof in the Lease Payments (which include principal and interest components) to be made by the County of Monterey (the “County”) for the right to the use of certain real property and improvements thereon (the “Leased Property”) within the County pursuant to that certain Lease Agreement, dated as of December 1, 2019 (the “Lease Agreement”), by and between the County, as lessee, and the County of Monterey Public Improvement Corporation (the “Corporation”), as lessor. The Certificates are being executed and delivered to provide funds to (i) refinance the County’s remaining lease payment obligation under a Lease Agreement, dated as of December 1, 2009, between the County and the Corporation, and cause the refunding of all of the outstanding Certificates of Participation (2009 Refinancing Project) of the County (the “2009 Certificates”), (ii) refinance the County’s remaining lease payment obligation under a Lease Agreement, dated as of October 1, 2010, between the County and the Corporation, and cause the refunding of all of the outstanding Certificates of Participation (2010 Refinancing Project) of the County (the “2010 Certificates”), and (iii) to pay certain costs incurred in connection with execution and delivery of the Certificates.

Payment Terms. The Certificates will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers of the Certificates will not receive certificates representing their interests in the Certificates. Payments of the principal of and interest on the Certificates will be made to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Certificates. Interest on the Certificates is payable on April 1 and October 1, commencing April 1, 2020. See “THE CERTIFICATES – General.”

Prepayment Prior to Maturity. **The Certificates are subject to mandatory prepayment from Net Proceeds of Insurance or Eminent Domain (as defined herein). The Certificates are not subject to optional prepayment prior to their maturity. See “THE CERTIFICATES – Prepayment.”**

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

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

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

MATURITY SCHEDULE
(see inside cover)

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

The Certificates will be sold and awarded pursuant to a competitive bidding process to be held on _______, 2019, as set forth in the Official Notice of Sale. The Certificates are offered when, as and if executed and delivered, are, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, and are subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the County. Certain matters will be passed upon for the County by the Office of County Counsel. It is anticipated that the Certificates, in book entry only form, will be available for delivery through the facilities of DTC on or about _____________, 2019.

The date of this Official Statement is: ______________, 2019.

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* *Preliminary; subject to change.*

MATURITY SCHEDULE*

BASE CUSIP†: ______

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

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* *Preliminary; subject to change.*

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the Corporation, the County, or the Purchaser takes any responsibility for the accuracy of such numbers.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

Document Summaries. All summaries of the Trust Agreement, the Lease Agreement (as such terms are defined in this Official Statement) or other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

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

MONTEREY COUNTY

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OFFICIAL STATEMENT

$______________*
COUNTY OF MONTEREY
2019 Certificates of Participation
(Public Facilities Refinancing)

This Official Statement (which includes the cover page and Appendices hereto) (the "**Official Statement**") provides certain information concerning the execution, sale and delivery of the County of Monterey 2019 Certificates of Participation (Public Facilities Refinancing) (the "**Certificates**").

INTRODUCTION

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

Issuance of Certificates. The Certificates will be executed and delivered under a Trust Agreement, dated as of December 1, 2019 (the "**Trust Agreement**"), by and among U.S. Bank, National Association, as trustee (the "**Trustee**"), the County of Monterey Public Improvement Corporation (the "**Corporation**"), and the County of Monterey (the "**County**"). The Certificates are being executed and delivered in denominations of $5,000 or any integral multiple thereof. Interest will accrue on the principal components of each Certificate at the applicable interest rate (as set forth on the cover hereof) from the Dated Date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1, commencing April 1, 2020. See "THE CERTIFICATES – General."

Use of Proceeds. The net proceeds of the sale of the Certificates will be used to:

(i) refinance the County's remaining lease payment obligation under a Lease Agreement, dated as of December 1, 2009 (the "**2009 Lease Payments**"), between the County and the Corporation, and cause the refunding of all of the outstanding Certificates of Participation (2009 Refinancing Project) of the County (the "**2009 Certificates**"), which are currently outstanding in the aggregate principal amount of $15,665,000;

(ii) refinance the County's remaining lease payment obligation under a Lease Agreement, dated as of October 1, 2010 (the "**2010 Lease Payments**"), between the County and the Corporation, and cause the refunding of all of the outstanding Certificates of Participation (2010 Refinancing Project) of the County (the "**2010**

* Preliminary, subject to change.

Certificates"), which are currently outstanding in the aggregate principal amount of $17,195,000; and

(iii) pay certain costs incurred in connection with the execution and delivery of the Certificates.

See "THE FINANCING PLAN."

Security and Sources of Payment for the Certificates. The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the "**Owners**") thereof in lease payments (the "**Lease Payments**") to be made by the County for the right to the use of certain real property (the "**Leased Property**"), under a Lease Agreement, dated as of December 1, 2019 (the "**Lease Agreement**"), by and between the Corporation, as sublessor, and the County, as sublessee. In order to facilitate the transfer contemplated by the Lease Agreement, the County will lease the Leased Property to the Corporation under a Site Lease, dated as of December 1, 2019 (the "**Site Lease**"), by and between the County, as lessor and the Corporation, as lessee.

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

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

Prepayment Prior to Maturity. The Certificates are subject to mandatory prepayment from Net Proceeds of Insurance or Eminent Domain (as defined herein) prior to maturity. The Certificates are not subject to optional prepayment prior to maturity. See "THE CERTIFICATES – Prepayment."

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

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

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

Miscellaneous. There follows in this Official Statement, which includes the cover page and Appendices hereto, a brief description of the Certificates, the County, the Trust Agreement, the Site Lease, the Lease Agreement and other documents, risk factors and certain other information relevant to the issuance of the Certificates. All references herein to the Trust Agreement, Lease Agreement and other documents, agreements and statutes referred to herein, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute. A summary of certain provisions of the Trust Agreement and Lease Agreement is included in APPENDIX A. A recent financial statement of the County is included in APPENDIX C. The information set forth herein and in the Appendices hereto has been furnished by the County and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Purchaser. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease Agreement shall have the meanings set forth therein, some of which are summarized in "APPENDIX A – Summary of Principal Legal Documents."

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

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

THE FINANCING PLAN

The proceeds of the Certificates will be used to (i) refinance the 2009 Lease Payments and cause the refunding of the 2009 Certificates, (ii) refinance the 2010 Lease Payments and cause the refunding of the 2010 Certificates, and (iii) pay certain costs of executing and delivering the Certificates.

Refinancing of Prior Lease Payments and Prepayment of Prior Certificates

On the date of execution and delivery of the Certificates (the "**Closing Date**"), the County will cause a portion of the proceeds of the Certificates to be transferred to U.S. Bank National Association, as escrow agent (the "**Escrow Agent**"), for deposit into an escrow fund (the "**Escrow Fund**") established under an Escrow Agreement, dated as of December 1, 2019 (the "**Escrow Agreement**"), between the County and the Escrow Agent, in an amount sufficient to refinance the (i) remaining 2009 Lease Payments and cause the current refunding of the 2009 Certificates on February 1, 2020 (the "**Prepayment Date**"), and (ii) remaining 2010 Lease Payments and cause the current refunding of the 2010 Certificates on the Prepayment Date.

The Escrow Agent will invest a portion of the amounts deposited into the Escrow Fund in federal securities and hold the remainder in cash, uninvested. All amounts held in the Escrow

Fund will be applied on the Prepayment Date to prepay the 2009 Lease Payments and 2010 Lease Payments and cause the prepayment of the 2009 Certificates and 2010 Certificates at a price equal to 100% of their respective aggregate principal amount, together with accrued interest to the Prepayment Date, without premium.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the prepayment of the 2009 Lease Payments and 2010 Lease Payments and refunding of the 2009 Certificates and 2010 Certificates. The funds deposited into the Escrow Fund will not be available for the payment of debt service on the Certificates; however, following the prepayment of the 2009 Lease Payments and 2010 Lease Payments in full and prepayment of the 2009 Certificates and 2010 Certificates, the Escrow Agent will transfer any amounts remaining on deposit in the Escrow Fund to the Trustee to be applied to pay interest next coming due and payable on the Certificates.

The 2009 Certificates to be prepaid on the Prepayment Date are described in the following table.

County of Monterey, California
Certificates of Participation
(2009 Refinancing Project)

Maturity Date (August 1)	Principal Amount	Interest Rate	CUSIP†
2020	$3,600,000	5.000%	612448MF4
2021	3,825,000	5.250	612448MG2
2022	4,015,000	5.250	612448MH0
2023	300,000	5.000	612448MJ6
2023	3,925,000	4.250	612448MK3

The 2010 Certificates to be prepaid on the Prepayment Date are described in the following table.

County of Monterey, California
Certificates of Participation
(2010 Refinancing Project)

Maturity Date (August 1)	Principal Amount	Interest Rate	CUSIP†
2020	$ 85,000	3.250%	612448MV9
2021	85,000	3.500	612448MW7
2022	90,000	3.625	612448MX5
2023	95,000	3.625	612448MY3
2024	4,535,000	3.750	612448MZ0
2025	4,720,000	3.750	612448NA4
2026	4,920,000	3.875	612448NB2
2027	2,665,000	4.000	612448NC0

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the Corporation, the County, or the Purchaser takes any responsibility for the accuracy of such numbers.

Verification of Mathematical Accuracy

Causey Demgen & Moore P.C., Denver, Colorado (the "**Verification Agent**"), will verify the sufficiency of the deposits in the Escrow Fund for the purposes described above. Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the Escrow Fund, the County's obligation to make 2009 Lease Payments and 2010 Lease Payments will be discharged.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

Estimated Sources and Uses of Funds

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

SOURCES:	
Par Amount of Certificates	
Plus: [Net] Original Issue Premium	
Less: Purchaser's Discount	
Total Sources:	$
USES:	
Deposit to Escrow Fund	
Deposit to Costs of Issuance Fund (1)	
Total Uses:	$

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

THE LEASED PROPERTY

Under the Lease Agreement, the County leases the Leased Property from the Corporation. The Leased Property consists of the core facilities constituting the Natividad Medical Center (the "**NMC**") hospital facility.

The NMC is an approximately 378,746 aggregate square foot, acute care, outpatient and teaching facility with 172 licensed bets owned by, and operated as an enterprise of, the County. The NMC is comprised of the following:

- Acute Rehabilitation Center/Medical Surgical building 100,
- Barnet J. Segal Outpatient Clinic Services building 200,
- Administrative Services/Business Office building 300,
- Emergency Room/Main Hospital building 500,

- Materials Management building 600,
- Engineering building 900,
- Inpatient Mental Health building 940,
- Generator building 980, and
- building 580 which houses Food Services, the Central Plant, Records, and Pediatrics.

The County estimates that the value of the NMC to be approximately $198,615,000, based upon current insured values.

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

THE CERTIFICATES

General

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

The Certificates will be executed and delivered in principal amounts of $5,000 or integral multiples thereof. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from the Dated Date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1 (each, an "**Interest Payment Date**"), commencing April 1, 2020.

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

Registration, Transfers and Exchanges

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

Prepayment

No Optional Prepayment. The Certificates are not subject to optional prepayment prior to their respective maturity dates.

Special Mandatory Prepayment From Insurance or Condemnation Proceeds. The Certificates are subject to mandatory prepayment on any date, in whole or in part, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments under the Lease Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Notice of Prepayment. At least 20 days but not more than 60 days prior to the prepayment date, the Trustee shall give notice of such prepayment by first class mail, with postage prepaid, to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books and to one or more Securities Depositories, and shall file such notice electronically with the Information Service. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid. Notwithstanding the foregoing, neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

Rescission of Prepayment Notice. Under the Trust Agreement, the County has the right to rescind any notice of prepayment delivered by the Trustee, by written notice to the Trustee no later than one Business Day prior to the date fixed for prepayment. Any notice of prepayment will be cancelled and annulled if for any reason funds are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation will not constitute an Event of Default under the Trust Agreement. The Trustee will deliver notice of rescission of prepayment to the Owners in the same manner notice of prepayment was originally provided under the Trust Agreement.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates are called for prepayment, the Trustee will select Certificates for prepayment among maturities in any manner as directed by the County, and in the absence of such direction, pro rata among maturities, and by lot within a maturity. For the purposes of such selection, Certificates will be deemed to be composed of $5,000 portions, and any such portion may be separately prepaid.

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

Book-Entry Only System

*The information in this section concerning The Depository Trust Company ("**DTC**"), New York, New York, and DTC's book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company, New York, NY, will act as securities depository for the Certificates. The Certificates 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 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates 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 Certificates 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 the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 the Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates 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.

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

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

Payments of principal of, premium, if any, and interest evidenced by the Certificates 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 Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Certificates 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.

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

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

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and neither the County nor the Corporation take any responsibility for the accuracy thereof.

Neither the County or the Purchaser can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the County or the Purchaser is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

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

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

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

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

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

LEASE PAYMENT SCHEDULE

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

Lease Payment Date*	Principal Component	Interest Component	Annual Lease Payment

* Lease Payments are payable on each March 15 and September 15 prior to the Lease Payment Date as provided under the Lease Agreement.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

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

The Trustee and the Corporation will enter into an Assignment Agreement, dated as of December 1, 2019 (the "**Assignment Agreement**"), pursuant to which the Corporation, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Owners of the Certificates, substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the County. The County will pay Lease Payments directly to the Trustee, as assignee of the Corporation.

Lease Payments

For the right to the use and occupancy of the Leased Property, the Lease Agreement requires the County to make Lease Payments. Scheduled Lease Payments relating to the Certificates are set forth above under the heading "LEASE PAYMENT SCHEDULE." Under the Lease Agreement, the County's leasehold interest is subject to certain Permitted Encumbrances. See "COUNTY FINANCIAL INFORMATION – Outstanding Long-Term Debt."

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

Additional Payments

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

Covenant to Appropriate Funds for Lease Payments or Additional Payments

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

Abatement

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

No Reserve Fund

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

Action on Default

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

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

Insurance

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

***Public Liability and Property Damage Insurance*.** The County is obligated under the Lease Agreement to maintain or cause to be maintained, throughout the term of the Lease Agreement a standard comprehensive general insurance policy or policies in protection of the Corporation, County, and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Said policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the County deems adequate and prudent. Such liability insurance may be maintained as self-insurance or as part of or in conjunction with any other liability insurance coverage carried by the County. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the proceeds of such insurance shall have been paid. **The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake or flood.** However, the Leased Property currently meets all standards for seismic strength required by the State.

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

Self-Insurance. The County is a certified State of California Self-Insured Public Entity. The County accounts for its risk financing activities using General Liability ("**GL-ISF**") and Workers'' Compensation ("**WC-ISF**") internal service funds. The County's excess general liability program is insured by "A Rated" insurance companies, providing coverage in excess of the County's self-insured retention. The County's excess workers' compensation coverage is provided by the California State Association of Counties ("**CSAC**") - Excess Insurance Authority.

CSAC is a joint powers authority whose purpose is to develop and fund programs of excess insurance for member counties. The County also participates in the CSAC "All Risk - Property Insurance Program". The County's "All Risk" deductible is $25,000 per occurrence, and shared limits of $600 million (subject to terms, limits, sub-limits, endorsements, and exclusions). See "APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 18" for additional information regarding the County's insurance program as of June 30, 2018.

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

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

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

Substitution or Removal of Leased Property

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

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

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

(b) The County shall take all actions and shall execute all documents required to subject such Substitute Property to the terms and provisions of the Lease Agreement, including the filing with the Corporation and the Trustee an amended exhibit thereto which adds a description of such Substitute Property and deletes the description of such Former

Property, and including the recordation of the Lease Agreement or a memorandum thereof with respect to such Substitute Property in the office of the Monterey County Assessor-County Clerk-Recorder;

(c) The County shall certify in writing to the Corporation and the Trustee that the value of such Substitute Property is at least equal to the value of such Former Property, and that the combined fair market rental value of such Substitute Property and the portion of the Leased Property remaining after the removal of the Former Property is at least equal to the combined fair market rental value of the Leased Property;

(d) The County shall cause to be filed with the Trustee an opinion of Special Counsel substantially to the effect that such substitution will not affect the obligation of the County to continue to pay Lease Payments in the amounts and at the times and in the manner required by the Lease Agreement;

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

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

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

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

(ii) the County shall certify in writing to the Corporation and the Trustee that the fair market value of the Leased Property which will remain following such removal is not less than the aggregate principal amount of the Outstanding Certificates; and

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

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

THE CORPORATION

The Corporation was organized on June 21, 1989, as a nonprofit public benefit corporation pursuant to the Nonprofit Public Benefit Corporation Law of the State. The Corporation is a separate legal entity from the County. It is governed by a three-member Board of Directors consisting of designated County officers. The Corporation has no employees. Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Lease Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it in the Lease Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

THE COUNTY

Introduction

With an area of approximately 3,771 square miles and 99 miles of coastline, the County borders the Pacific Ocean almost at the midpoint of California. The County is located approximately 130 miles south of San Francisco and 240 miles north of Los Angeles. It is bordered by Santa Cruz County to the north, San Benito (originally part of the County), Fresno and Kings Counties to the east and San Luis Obispo County to the south. As of January 1, 2019, current population was estimated by the State of California Department of Finance at approximately 445,414.

Approximately 98% of the County area is outside of an incorporated municipality, with approximately 25% of the residents living in these unincorporated areas. The City of Salinas is the County's largest city with approximately 162,797 residents as of January 1, 2019 and serves as the County seat. The eleven other incorporated cities are Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Sand City, Seaside, Soledad and Pacific Grove.

There are two distinct sub-regions in the County: the Monterey Peninsula and the Salinas Valley. The Monterey Peninsula is known for its ocean views, 17-mile drive, delicious seafood and world-class golf courses. Pebble Beach, Cypress Point, Spyglass Hill, Poppy Hills, The Links at Spanish Bay, and the Dunes and Shore courses at Monterey Peninsula Country Club are well-known Monterey Peninsula golf courses. The Monterey Bay Aquarium and the City of Carmel-by-the-Sea are also attractions that draw tourists to the Monterey Peninsula. The Salinas Valley is equally renowned as an area of fertile farmland, running almost the entire length of the County and is one of the world's most fertile major vegetable producing areas. Agriculture, tourism, and government are major contributors to the County's economy.

The County also benefits from four wilderness areas set aside for recreational enjoyment, consisting of 509,188 total acres. The Los Padres National Forest has 304,035 acres, the Ventana Wilderness totals 164,503 acres, the Pinnacles National Park has 26,000 acres, and the Fort Ord National Monument has 14,650 acres.

See "APPENDIX B – MONTEREY COUNTY GENERAL DEMOGRAPHIC INFORMATION."

Government and Administration

The County was incorporated in 1850 as one of the State's original 27 counties. The City of Monterey was California's first capital. The County is a general law county, and is governed by a five-member Board of Supervisors (the "**County Board**") elected to serve four-year terms. Other elected officials include the Assessor-Clerk-Recorder, District Attorney, Sheriff, Auditor-Controller and Treasurer-Tax Collector.

The County Administrative Officer is appointed by the County Board and administers the day-to-day business of the County. Averaging 5,362 full-time equivalent employees, the County government provides a full range of public services including public safety, roads and facilities, social services, administrative services, health services, sanitation services and leisure services. Typically, the department heads that run these operations, other than the elected department heads, are appointed by the County Administrative Officer.

The Treasurer-Tax Collector is an elected officer of the County. Operating under State of California statutes found in the Revenue and Taxation Code and Government Code, the Treasurer-Tax Collector performs a variety of functions which collectively contribute to the financial management network of the County, the County's school districts, and many of the County's special districts.

The Auditor-Controller is the chief fiscal officer of the County. The Auditor-Controller is elected by County voters to provide accounting, budgeting, and financial services to the public, county agencies, school districts, special districts, and cities as defined under Government Code.

Financial and Accounting Information

The governmental activities of the County are: general government, public safety and protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The County has three business-type activities: Natividad Medical Center, the Laguna Seca Recreation Area, which provides an assortment of outdoor, recreational, and spectator activities on land adjacent to the former Fort Ord, and the Parks, Lake and Resort Operations, which provides an assortment of outdoor and recreational activities associated with, and on the lands surrounding, Lake Nacimiento.

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The various funds are grouped into fund and account categories as described below under the caption "COUNTY FINANCIAL INFORMATION" and in "APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

COUNTY FINANCIAL INFORMATION

Financial Statements

The County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018 (the "**County of Monterey 2018 CAFR**"), which has been audited by CliftonLarsonAllen LLP, Certified Public Accountants, Roseville, California, is included in this Official Statement as "APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2018." The County has not requested nor has CliftonLarsonAllen LLP given consent to the inclusion in such appendix of its report on such financial statements, nor have such accountants reviewed or performed any audit procedures in connection with the preparation of this Official Statement. The County reports that there has been no material adverse change in the County's financial position since June 30, 2018.

The financial information presented herein was compiled from the County of Monterey 2018 CAFR and information from the Office of the Auditor-Controller and County Administrative Office for the fiscal year ended June 30, 2019. The financial and statistical information set forth herein does not purport to be a summary of the County of Monterey 2018 CAFR. The County of Monterey 2018 CAFR should be read in its entirety. The financial information summarized herein is for information purposes only and does not constitute the complete financial statements of the County.

The County anticipates that its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019 will be presented to the Board of Supervisors and available to the public on or about December 31, 2019.

The Government Finance Officers Association of the United States and Canada ("**GFOA**") awarded the County with its Certificate of Achievement for Excellence in Financial Reporting for the County's Comprehensive Annual Financial Reports for Fiscal Year 2017-18. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

The following table shows the audited County General Fund Balance Sheet for Fiscal Years ended June 30, 2015 through June 30, 2018, and unaudited County General Fund Balance Sheet for Fiscal Year ended June 30, 2019.

Table 1
County of Monterey
General Fund Balance Sheet
Fiscal Years Ended June 30, 2015 Through June 30, 2019 (unaudited)[1]

	2015	2016	2017	2018	2019[2]
ASSETS					
Cash and investments:					
Held in County Treasury	$167,219,616	$166,024,085	$151,482,318	$167,905,194	$216,839,388
Imprest cash	15,830	14,530	11,230	11,510	11,510
Restricted cash	2,101,801	1,910,328	1,822,494	1,643,191	224,955
Other bank accounts	845,003	823,577	1,217,823	1,578,237	1,566,055
Receivables	48,860,648	50,080,472	58,358,385	66,268,257	66,306,038
Due from other funds	1,271,143	1,271,143	8,366,543	5,105,756	2,181,831
Inventories	371,000	328,167	280,522	423,569	269,035
Prepaid items and other assets	--	--	152,425	150,000	393,800
Notes receivable	9,225	--	--	--	
Total Assets	$220,694,266	$220,452,302	$221,691,740	$243,085,714	
LIABILITIES					
Vouchers and accounts payable	$9,307,015	$11,063,766	$14,451,381	$15,600,142	
Accrued salaries and benefits	15,839,626	8,864,617	8,237,845	8,959,238	
Deposits from others	8,933,718	14,351,071	20,182,443	7,477,866	
Deferred/unearned revenues	22,356,951	14,628,494	9,239,103	14,089,246	
Total Liabilities	$56,437,310	$48,907,948	52,111,722	$46,126,492	
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	$23,467,394	$22,661,336	$26,058,275	$21,239,787	
FUND BALANCES					
Nonspendable	$371,000	$328,167	$432,947	$573,569	$662,835
Restricted	912,759	12,463,001	12,460,848	28,752,592	29,167,927
Committed	70,292,695	73,892,695	45,300,000	62,500,000	91,461,322
Assigned	62,597,695	56,180,885	76,632,950	80,031,345	81,242,986
Unassigned	6,615,413	6,018,270	8,694,948	3,861,929	2,559,563
Total Fund Balance	$140,789,562	$148,883,018	$143,521,693	$175,719,435	$205,094,632
Total Liabilities and Fund Balance	**$220,694,266**	**$220,452,302**	**$221,691,740**	**$243,085,714**	

(1) This statement is a summary statement only. The complete audited financial statements of the County, including the notes to the audited financial statements, are an integral part of and necessary to a complete understanding of this statement. The County of Monterey audited financial statements for Fiscal Year ended June 30, 2018 appear in the County of Monterey 2018 CAFR attached as Appendix C attached hereto. The County's Comprehensive Annual Financial Reports, including audited financial statements, for prior years can be found on the County's website or on the Electronic Municipal Market Access ("**EMMA**") portal maintained by the Municipal Securities Regulatory Board ("**MSRB**") at www.emma.msrb.org.

(2) Unaudited; subject to revision and adjustment.

Source: County of Monterey Comprehensive Annual Financial Reports; County of Monterey.

The following table shows the audited County General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance for Fiscal Years ended June 30, 2015 through June 30, 2019 and the unaudited County General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance for Fiscal Year ended June 30, 2019.

Table 2
County of Monterey
General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance
Fiscal Years Ended June 30, 2015 Through June 30, 2019 (unaudited)(1)

	2015	2016	2017	2018	2019(5)
Revenues:					
Taxes	$162,603,935	$178,797,070	$185,015,280	$210,541,991	$227,678,135
Licenses, permits and franchises	20,642,903	20,274,966	20,874,584	26,081,233	21,817,896
Fines, forfeitures and penalties	8,363,590	8,639,792	8,166,222	8,846,131	8,760,804
Revenue from use of money and property(2)	4,420,843	7,425,172	10,325,072	17,283,118	25,367,025
Aid from other governmental agencies	208,518,343	191,816,222	192,132,654	195,642,433	185,297,384
Charges for services	61,958,507	70,296,656	73,731,975	85,683,225	74,454,077
Miscellaneous revenue(3)	8,271,546	5,590,035	6,633,256	9,508,353	8,102,321
Total Revenues	$474,779,667	$482,839,913	$496,879,043	$553,586,484	$551,477,642
Expenditures:					
Current:					
General government	$ 51,531,855	$ 57,696,542	$ 45,015,012	$ 49,202,591	$51,892,797
Public safety and protection	209,609,666	217,102,098	234,614,481	246,976,477	247,735,706
Health and sanitation	64,388,364	69,491,575	73,115,237	76,701,357	80,935,067
Public assistance	162,484,589	172,735,116	194,923,259	185,957,737	189,566,202
Education	485,582	498,239	437,439	388,261	317,288
Recreation and cultural services(2)	5,249,036	5,865,547	11,634,831	18,450,907	23,651,285
Total Expenditures	$493,749,092	$523,389,117	$559,740,259	$577,677,330	$594,098,345
Excess (Deficiency) of Revenues Over (Under Expenditures	(18,969,425)	(40,549,204)	(62,861,216)	(24,090,846)	(42,620,703)
Other Financing Sources (Uses):					
Transfers in	$ 97,534,157	$ 86,055,797	$ 83,315,133	$ 106,046,283	$104,595,111
Transfers out	(54,541,213)	(37,591,839)	(41,616,424)	(50,064,820)	(32,609,952)
Capital lease	–	–	15,593,133	125,806	–
Sale of capital assets	75,201	178,702	208,049	181,319	53,248
Total Other Financing Sources (Uses)	$ 43,068,145	$ 48,642,660	$ 57,449,891	$ 56,288,588	$72,038,305
Net Changes in Fund Balance	$ 24,098,720	$ 8,093,456	$ (5,361,325)	$ 32,197,742	$29,417,602
Fund Balance, Beginning of Year, as restated	116,690,842(4)	140,789,562	148,883,018	143,521,693	175,719,435
Fund Balance, End of Years	**$140,789,562**	**$148,883,018**	**$143,521,693**	**$175,719,435**	**$205,137,037**

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(2) The increase in revenue from use of money from property from Fiscal Year 2014-15 to 2015-16 was due primarily to an increase of approximately $3.6 million in investment revenue [relating to mark-to-market accounting of unrealized gains]. Within the Laguna Seca Recreation Area, is an automobile racetrack (the "**Laguna Seca Raceway**"), which has been operated by a non-profit organization, the Sports Car Racing Association of the Monterey Peninsula ("**SCRAMP**"), since 1957. SCRAMP operated the Laguna Seca Raceway pursuant to a concession agreement with the County that expired on December 31, 2017 (the "**Concession Agreement**"). Under the Concession Agreement, the County was obligated to pay SCRAMP a share of the revenues from the Laguna Seca Raceway. The primary responsibilities for managing and operating the Laguna Seca Raceway were transferred to the County Administrative Office in Fiscal Year 2017-18. After December 1, 2017, SCRAMP has continued to operate the Laguna Seca Raceway in exchange for a fee, not a share of Laguna Seca Raceway revenues. The increases in revenue from use of money and property and expenses related to recreation and cultural services in Fiscal Years 2016-17, 2017-18, and 2018-19 are primarily due to the foregoing.

(3) Variances between fiscal years in miscellaneous revenue results from the recording of certain one-reimbursements. Fiscal Year 2014-15 saw one-time reimbursement claims for emergency communications, one-time installment collection fees for the Treasurer-Tax Collector's Revenue Division. In Fiscal Year 2015-16, Social Services earned less than normal amounts of revenues coming from external trust accounts for child welfare services Programs. Large increases in Fiscal Year 2017-18 and Fiscal Year 2018-19 are from larger than normal shares of the Tobacco Master Settlement Agreement funds from the State and recognition of revenue held in liability accounts for the County's Next Generation emergency communications system.

Footnotes continued:
(4) Change in beginning of year fund balance due to a correction of revenue from prior year of $(1,214,616).
(5) Unaudited; subject to revision and adjustment.
Source: County of Monterey Comprehensive Annual Financial Reports; Monterey County.

Budgetary Process

The County is required by State law to adopt a balanced budget by October 2 of each fiscal year, while the County's procedure is to adopt the budget by July 1. The process begins in December with budget instructions issued to departments by the County Administrative Office. The various departments develop departmental budget requests by early March. After the County Administrative Office reviews the various departmental requests, the County Administrative Office prepares the County recommended budget, which is summarized by department, and submits it to the County Board prior to budget hearings in June. The County Auditor-Controller is responsible for monitoring and reporting expenditures within budgeted appropriations. The County Board has established a Budget Committee with two members of the County Board. This committee meets monthly to review financial and program issues of the County.

Budget data is prepared on the modified accrual basis consistent with comparable actual amounts. Budget appropriations represent original amounts adjusted by budget transfers and appropriation amendments. Encumbrance accounting is utilized during the year for budget control purposes. However, encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather reserves of fund balances. The County does, however, honor the contracts represented by year-end encumbrances. Unencumbered budget appropriations lapse at the end of the fiscal year. Board policy requires re- appropriation of carryover capital improvement projects on an annual basis after review of each project's status.

Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the County Board. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances or unanticipated revenue as provided for in the County Budget Act.

The County's budget process takes place within a dynamic reporting cycle that includes continual monitoring of the County's fiscal condition to assure adjustment as needed to maintain budgetary balance throughout the fiscal year. The reporting cycle subsequently leads to and facilitates development of the budget for the next fiscal year.

General Fund Budgets

Historical. Set forth in the following table is a summary statement of the final General Fund Budgets for Fiscal Years ended June 30, 2015 through June 30, 2019.

Table 3
County of Monterey
General Fund Budgets
Fiscal Years Ended June 30, 2014 Through June 30, 2019[(1)]

	2015 Final Budget	2016 Final Budget	2017 Final Budget	2018 Final Budget	2019 Final Budget
Revenues:					
Taxes	$155,390,140	$165,937,782	$177,977,935	$192,180,959	$201,331,552
Licenses, permits and franchises	17,700,699	19,653,905	21,780,771	22,028,187	24,001,981
Fines, forfeitures and penalties	9,108,815	9,237,018	9,228,533	9,216,883	8,776,835
Revenue from use of money and property	2,108,430	3,423,864	7,184,176	15,666,433	20,400,547
Aid from other governmental agencies	213,738,952	208,795,992	219,728,118	214,063,905	210,956,296
Charges for services	71,399,535	77,404,414	80,629,043	77,748,510	80,511,621
Miscellaneous revenue	6,603,219	5,228,996	8,620,990	8,687,328	5,772,578
Total Revenues	$476,194,790	$489,681,971	$525,149,566	$539,592,205	$551,751,410
Expenditures:					
Current:					
General government	$ 69,311,603	$ 94,916,738	$ 61,139,112	$ 60,095,390	$69,178,325
Public safety and protection	218,709,323	226,344,906	238,758,245	253,250,567	256,160,717
Health and sanitation	70,716,796	80,276,520	83,764,938	94,120,237	95,422,516
Public assistance	176,990,504	182,267,037	195,912,017	200,171,024	204,721,463
Education	527,780	534,716	553,402	444,671	421,034
Recreation and cultural services	5,280,299	6,110,401	12,044,638	18,865,520	15,854,150
Debt service:					
Interest and debt service costs	425,000	425,000	–	–	–
Total Expenditures	$541,961,305	$590,875,318	$592,172,352	$626,947,409	$641,758,205
Excess (Deficiency) of Revenues Over (Under Expenditures)	(65,766,515)	(101,193,347)	(67,022,786)	(87,355,204)	(90,006,795)
Other Financing Sources (Uses):					
Transfers in	$81,099,725	$98,947,759	$103,392,142	$99,906,688	$113,434,892
Transfers out	(43,355,891)	(18,107,668)	(71,629,734)	(54,722,011)	(47,783,195)
Sale of capital assets	53,363	44,528	63,778	–	--
Total Other Financing Sources (Uses)	$37,797,197	$80,884,619	$31,826,186	$45,184,677	$65,651,691
Net Changes in Fund Balance	(27,969,318)	(20,308,728)	(35,196,600)	(42,170,527)	(24,355,098)
Fund Balance, Beginning of Year, as restated	$116,690,842	$140,789,562	$148,883,018	$143,521,693	
Fund Balance, End of Years	$88,721,524	$120,480,834	$113,686,418	$101,351,166	

(1) This statement is a summary statement only. The complete audited financial statements of the County, including the notes to the audited financial statements, are an integral part of and necessary to a complete understanding of this statement. The County of Monterey audited financial statements for Fiscal Year ended June 30, 2018 appear in the County of Monterey 2018 CAFR attached as Appendix C attached hereto. The County's Comprehensive Annual Financial Reports, including audited financial statements, for prior years can be found on the County's website or on the EMMA portal maintained by the MSRB at www.emma.msrb.org.

Source: County of Monterey Comprehensive Annual Financial Reports.

***Comparison of Recent Budgets**.* The following table shows the original adopted General Fund Budget, the Final General Fund Budget, the actual General Fund revenues and expenditures and the variance of the actual unaudited General Fund revenues and expenditures from the Final General Fund Budget for Fiscal Year 2018-19. The original adopted General Fund Budget for Fiscal Year 2019-20 (the last Fiscal Year for which all of the data is currently available) is also shown in the following table.

Table 4
County of Monterey
General Fund Budgets for the
Fiscal Years 2018-19 and 2019-20

	FY 2019 Original Budgeted Amounts	FY 2019 Final Budgeted Amounts	FY 2019 Unaudited Actual Amounts[(1)]	Variance with Final Budget Positive (Negative)	FY 2020 Original Budgeted Amounts
Revenues:					
Taxes	$200,326,729	$201,331,552	$227,678,135	$26,346,583	$215,661,642
Licenses, permits and franchises	24,001,981	24,001,981	21,817,896	(2,184,085)	21,857,130
Fines, forfeitures and penalties	8,535,900	8,776,835	8,760,804	(16,031)	8,895,614
Revenue from use of money and property	20,336,335	20,400,547	25,367,025	4,966,478	18,584,921
Aid from other governmental agencies	203,987,859	210,956,296	185,297,384	(25,658,912)	209,622,214
Charges for services	81,866,617	80,511,621	74,454,077	(6,057,544)	75,276,447
Miscellaneous revenue	6,379,128	5,772,578	8,102,321	2,329,743	6,506,754
Total Revenues	$545,434,549	$551,751,410	$551,477,642	(273,768)	$556,404,722
Expenditures:					
Current:					
General government	$70,317,661	$69,178,325	$51,892,797	(17,285,528)	45,034,983
Public safety and protection	253,486,595	256,160,717	247,735,706	(8,425,011)	275,019,246
Health and sanitation	91,081,589	95,422,516	80,935,067	(14,487,449)	97,635,427
Public assistance	202,385,369	204,721,463	189,566,202	(15,155,261)	212,404,489
Education	421,034	421,034	317,288	(103,746)	463,115
Recreation and cultural services	15,854,150	15,854,150	23,651,285	7,797,135	23,694,405
Total Expenditures	$633,546,398	$641,758,205	$594,098,345	(47,659,860)	654,251,665
Excess (Deficiency) of Revenues Over (Under Expenditures)	(88,111,849)	(90,006,795)	(42,620,703)	47,386,092	(44,339,844)
Other Financing Sources (Uses):					
Transfers in	$113,434,892	$113,434,892	$104,595,111	(8,839,781)	$113,411,367
Transfers out	(43,563,718)	(47,783,195)	(32,609,952)	15,173,243	(33,077,440)
Lease Proceeds	–	–	–	–	–
Sale of capital assets	–	–	53,248	53,248	–
Total Other Financing Sources (Uses)	$69,871,174	$65,651,697	$72,038,407	6,386,710	$80,333,927
Net Changes in Fund Balance	(18,240,675)	(24,355,098)	29,417,704	53,772,802	(17,691,487)
Fund Balance, Beginning of Year, as restated	175,719,435	175,719,435	175,719,435	–	205,401,279
Fund Balance, End of Years	**$157,478,760**	**$151,364,337**	**$205,137,037**	**$53,772,802**	**$187,709,792**

(1) Unaudited; subject to revision and adjustment.
Source: County of Monterey.

Fiscal Year 2018-19 Unaudited Results. The County's adopted General Fund Budget for Fiscal Year 2018-19, as modified (the "**2018-19 Adopted Budget**"), included General Fund appropriations totaling $689.8 million, representing an increase of approximately $8.1 million from the adopted General Fund Budget for Fiscal Year 2017-18. The following are highlights of the Fiscal Year 2018-19 unaudited results for the County's the General Fund:

- The General Fund outperformed expectations, ending the Fiscal Year 2018-19 with an unassigned fund balance of $2.6 million and a strategic reserve fund balance of $66.5 million ($520,000 from the County's reserve policy goal). This improvement can be attributed to conservative fiscal management and continuing efforts of departments to tightly manage their budgets and adjust operations to match revenue flows.

- Unrestricted Fund Balance grew by $28.9 million over the prior fiscal year. Although actual unaudited operating revenue was $2.7 million for Fiscal Year 2018-19, below revenues budgeted in the 2018-19 Adopted Budget, unaudited for Fiscal Year 2018-19 were $50.4 million the amount budgeted in the 2018-19 Adopted Budget.

Fiscal Year 2019-20 Budget – Overview*.* The County Board adopted General Fund Budget for Fiscal Year 2019-20 (the "**2019-20 Adopted Budget**") on June 25, 2019. Budgeted appropriations for the general fund in the 2019-20 Adopted Budget total $687.6 million for Fiscal Year 2019-20, an increase of $10.4 million over the 2018-19 Adopted Budget. The 2019-20 Adopted Budged supports a workforce of 3,355 authorized positions. The General Fund supports 21 departments which encompass most County services and basic governmental functions including public safety and criminal justice, health, social services, land use, recreation, environment, administration and finance. Following is an overview and highlights of the adopted budget for the General Fund:

- Discretionary Revenue Increase of $11.1 million. Ongoing discretionary revenue increases $13.6 million, primarily due to continued improvement in property taxes and transient occupancy taxes ("**TOT**"). The increase in discretionary revenue is partially offset by reductions in program revenue generated directly by departments.

- Includes estimated cannabis revenue to support cannabis program expenditures and recommended augmentations. Program staff estimates $11.3 million in cannabis tax revenue for the current year. However, this revenue source is considered volatile due to the challenging industry and regulatory environment. The 2019-20 Adopted Budget includes $4.0 million in ongoing cannabis revenue to support an existing 19.5 positions as well as other program expenditures across nine departments and 7.0 position augmentations included in the 2019-20 Adopted Budget. Revenue collected in excess of budgeted amounts will be placed in the cannabis assignment.

- Community programs funded with one-time cannabis funds. The 2019-20 Adopted Budget includes release of $1.2 million from the cannabis assignment to fund important programs that align with community feedback including early childhood programs, library books, and homeless services.

- Uses $17.6 million in fund balance to cover planned capital expenditures and other one-time needs. Due to positive prior year results, the County reserved funds for the annual contingencies appropriation. The 2019-20 Adopted Budget utilizes this reserve of $6.7 million to fund next year's appropriation for contingencies, allowing next year's discretionary revenue growth to be targeted to sustain County programs. The Health Department is utilizing $4.6 million of restricted fund balance to cover a liability payment to the State related to the true-up of payments received and services rendered in health clinics and for expenditures in environmental health programs. Furthermore, the budget includes planned use of $1.5 million of unassigned fund balance from prior years to cover one-time needs such as information technology infrastructure, the Salinas Valley Groundwater Basin investigation and the Pajaro Boronda community service district Proposition 218 rate increases. The remaining assigned fund balance is used primarily for Laguna Seca improvements.

- Provides funding to the road fund to support road maintenance. In agreement with Board policy, the 2019-20 Adopted Budget includes a contribution of $5.2 million to the Road Fund.

- Includes funding for external agencies that support public safety and promote tourism, arts, and economic development. Based on current policy, the 2019-20 Adopted Budget includes $2.2 million to Development Set-Aside agencies. The 2019-20 Adopted Budget also includes discretionary contributions of Proposition 172 funds (Public Safety Sales Tax) of $3.1 million to support fire agencies and $1.7 million to user agencies to incentivize participation in the consolidated 9-1-1 dispatch center, a combined increase of $259,399.

Fiscal Year 2019-20 – Budgeted Revenues. Estimated General Fund revenues total $658.9 million for Fiscal Year 2019-20. Revenue from federal and State sources is the largest revenue source estimated at $204.0 million. Revenue from taxes total an estimated $100.3 million and represent the bulk of the County's discretionary monies. Other sources of funding include: charges for services ($81.9 million); other financing sources ($113.4 million), which mostly include operating transfers received from three realignment funds; revenue from money and property ($20.3 million); revenue from license, permit, and franchise fees ($20.9 million); and fines, forfeitures, and penalties ($8.5 million); and miscellaneous revenue ($6.4 million).

General Fund revenues are categorized as "program" and "non-program" based on the source of and purpose for the funding. Non-program revenue accounts for approximately one-third of General Fund revenues. Program revenue is specifically designated and/or statutorily required for programs. Sources of program revenue are derived from State and federal aid for various mandated programs primarily in Health and Social Services, charges for services are primarily fees collected by health clinics and the 911 consolidated dispatch center, and other revenues include primarily reimbursement from realignment funds for health, social services, and public safety programs. The 2019-20 Adopted Budget includes estimated program revenues of $438.2 million, a decrease of $4.9 million from the 2018-19 Adopted Budget. The decrease is largely due to the Emergency Communications Department's operation and administration budget units being moved over to a new special revenue fund.

Estimated changes in major sources of non-program revenues are summarized below:

- Property Tax Revenue. Property Tax Revenue is the largest source of non-program revenue at $164.1 million (74%) of current year estimated non-program revenue. The 2019-20 Adopted Budget assumes a 5.0% growth in assessed values for fiscal year 2019-20, which produces $5.4 million growth in property tax revenue for the County.

- Discretionary revenues continue to grow in coming years. The 2019-20 Adopted Budget assumes continued growth in non-program revenue primarily due to positive trends in property tax collections resulting from higher assessments. In particular, the 2019-20 Adopted Budget projects non-program revenue growth of $13.1 million over the 2018-19 Adopted Budget.

- Transient Occupancy Tax receipts rebound after impacts of natural disasters. TOT Revenues are the County's second largest source of discretionary revenue. TOT Revenues are estimated at $23.5 million for Fiscal Year 2019-20 and growth is projected at 2% in each of the next two fiscal years.

- Cannabis revenues to support on-going cannabis program. The 2018-19 Adopted Budget included $2.7 million in cannabis revenues to support 13 full-time equivalent positions ("**FTEs**") for the implementation of the County's Cannabis Program. Services and equipment in various County departments were also funded to carry out the program, some of which included: Accela automation program, new vehicles in the Sheriff's Office and lab analysis in the Health Department. In Fiscal Year 2018-19, the County Board authorized an additional eight FTEs and other services for an additional increase of $1 million in cannabis revenues. In total, 21 positions have been added towards the County's cannabis program at a cost of $4.0 million. Cannabis revenues are estimated at $4.0 million for Fiscal Year 2019-20 for on-going support of cannabis program staffing and services with no growth assumed in the next two fiscal years.

Fiscal Year 2019-20 – Budget Cost Drivers*.* County programs and services have been impacted by higher labor costs resulting in negotiated salary increases, increased employer pension contributions, increased healthcare costs, higher workers' compensation and general liability costs. The following is a brief summary of the factors that impacted the 2019-20 Adopted Budget.

- Growth in ongoing salary cost. Fiscal Year 2018-19 was the last year of wage increases approved by the County Board in Fiscal Year 2016-17. The County Board approved wage increases for most labor groups of 1.5% in Fiscal Year 2016-17, 2.5% in Fiscal Year 2017-18 and 3.0% in Fiscal Year 2018-19. Most safety bargaining units received increases of 2.5% in the first year, 2.5% in Fiscal Year 2017-18, and 3.0% in Fiscal Year 2018-19. Independent of position growth, over the course of the prior three fiscal years, wage increases will have added $19.3 million in cost to the General Fund.

  Departments estimate salary expenditures will increase from $249.7 million in Fiscal Year 2018-19 to $263.1 million by Fiscal Year 2021-22.

- Employer contributions continue to increase due to changes in CalPERS' actuarial methodology. To strengthen long-term sustainability, the County continues to see its contributions towards employee pensions increase. Driving the increases are changes to the actuarial methodology of the California Public Employees' Retirement System ("**CalPERS**"), including the following actions:

    - Changes in amortization and rate smoothing policies to accelerate paying down large unfunded liabilities.

    - Change to fixed dollar contribution for the unfunded liability portion, rather than as a percentage of payroll, to prevent potential funding issues that could arise from a declining payroll.

    - Adoption of new demographic assumptions that show retirees living longer, and thus requiring higher lifetime payout of benefits.

    - Approval of a new funding risk mitigation policy to incrementally lower the discount rate.

  See "– Pensions."

- Sharp increases in pension contributions. General Fund contributions increase $8.4 million in Fiscal Year 2019-20 (almost doubling from Fiscal Year 2013-14) and are projected to grow to $34.0 million by Fiscal Year 2024-25. The most significant change impacting contributions is the reduction in the assumed rate of return by CalPERS from 7.50% to 7.0% over three years, increasing agencies' unfunded liabilities. The change was made by CalPERS due to expectations of lower investment returns. A lower discount rate – while shoring up the pension fund and reducing the risk of funding issues and cash flow gaps – increases employers contributions. The contributions for Fiscal Year 2018-19 were based on a 7.25% discount rate; contributions for Fiscal Year 2019-20 are based on a 7.0% discount rate. See "– Pensions."

- Increased health insurance premiums place fiscal pressure on County. The County's health care costs have grown $18.0 million since Fiscal Year 2011-12 and are forecasted to increase another $16.5 million over the next four fiscal years. Increasing health care costs have contributed to the fiscal pressures faced by departments and have impacted programs. The County has absorbed rate increases, rather than pass the cost to employees, resulting in additional expenditures. The Human Resources Department is anticipating an 8.0% annual growth for Fiscal Year 2019-20 based on historical experience. In addition, CalPERS is considering a new "three-region pricing" model in which rates for Monterey County could increase more than 10% on January 1, 2020.

Fund Balance Policy

The County's goal is to use unrestricted fund balance as a source to finance one-time investments, reserves and/or commitments. Committed, assigned and unassigned fund balances are considered unrestricted. The County's general financial policies permit the County Board to use unbudgeted unassigned fund balance in the following manner as recommended by the County Administrative Officer:

1. A capital project fund

2. Productivity investment assignment

3. Contribution to strategic reserve

4. One-time investments or assignments

Strategic Reserve Policy

The County has established a strategic reserve reported as a separate committed fund balance constraint. The target funding level is equal to 10% of the total General Fund final budgeted estimated revenues. Funding for the strategic reserve is appropriated annually by the County Board as part of the budget approval.

The purpose of the County's General Fund strategic reserve is to:

1. Fund settlement of legal judgments against the County in excess of reserves normally designated for litigation.

2. Cover short-term revenue reductions due to economic downturns, to address natural disasters as determined by the County Administrative Officer or the County Board.

The County continues to invest year-end operating surpluses to build up the strategic reserve, which grew from $37.3 million in Fiscal Year 2009-10 to $91.5 million at fiscal year end June 30, 2019. The County's strategic reserve policy ordinance was amended in Fiscal Year 2010-11 to allow establishing a sub-commitment within the General Fund strategic reserve commitment for NMC's enterprise fund, the Natividad Medical Center Strategic Reserve sub-commitment. The Natividad Medical Center Strategic Reserve sub-commitment is funded from unrestricted NMC net position moneys and can be used only for NMC purposes, as determined by the County Board based on recommendations of the NMC Board of Trustees. In Fiscal Year 2017-18, a transfer of $7.2 million was made to the Natividad Medical Center Strategic Reserve sub-commitment under the strategic reserve. The strategic reserve balance of $91.5 million at fiscal year end June 30, 2019, includes $66.5 million for the General Fund and $25.0 million for NMC. See "– Natividad Medical Center."

State of California Budget

Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2019-20 State Budget described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets may be posted by the Office of the Legislative Analyst *at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County, and the County takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.*

General. Counties are the principal agents for providing services on behalf of the State, particularly in the areas of public health, welfare, judicial and corrections programs, as well as providers of local services in a variety of areas, including law enforcement, roads, parks, libraries, agriculture and various social service programs. Substantial portions of many of these services are implementations of State mandated programs and State administered federal programs supported by State and federal revenues. The tension between counties and the State is often due to the adequacy of State provided revenue for State mandated programs. Historically, the County has been able to reduce expenditures when necessary to match available funding sources, as required by law.

2019-20 Adopted State Budget**.** On June 27, 2019, the Governor signed the fiscal year 2019-20 State budget (the "**2019-20 State Budget**") into law. The 2019-20 State Budget calls for total spending of $214.8 billion, with $147.8 billion in general fund spending. The 2019-20 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to $16.5 billion by the end of the budget year. Additionally, revenues have been set aside in new savings funds, including a $900 million reserve for safety net programs.

Currently, approximately 31.3% of the County's 2019-20 General Fund Budget consists of payments from other government agencies including the State of California. The financial condition of the State has an impact on the level of these revenues. In the past the State has turned to counties to help solve the State's budget problems. The human services departments receive substantial funds for assistance payments and social services programs.

Future State Budgets. The County cannot predict what actions will be taken in future years by the State Legislature and the Governor to address a State budget deficit. Future State budgets will be affected by national and state economic conditions and other factors over which the County has no control. To the extent that the State budget process results in reduced revenues to the County, the County will be required to make adjustments to its budget. Decrease in such revenues may have an adverse impact on the County's ability to pay the Certificates.

Property Taxes

The County collects property taxes against all property on the secured roll in two annual installments. Property taxes are derived on the basis of an ad valorem tax levied against the current assessed valuation of property in the County. Ad valorem property taxes are projected to contribute approximately $164.8 million to General Fund revenues (equating to approximately 71.2% of total General Fund non-program revenues) for Fiscal Year 2019-20.

The assessed valuation of property in the County is established by the County Assessor except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property as defined in Article XIIIA of the California Constitution.

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIA of the California Constitution" in the forepart of this Official Statement.

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

For assessment and collection purposes, property is classified either as “secured” or "unsecured” and is listed accordingly on separate parts of the assessment roll. The secured roll is that part of the assessment roll containing State-assessed property and property the taxes on which are a lien on real property sufficient in the opinion of the County Assessor to secure payment of the taxes. Other property is assessed on the “unsecured” roll. Property taxes on the secured roll are due in two installments on November 1 and February 1 of each fiscal year and, if unpaid, become delinquent on December 10 and April 10 respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of one and one-half percent per month to the time of redemption plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property improvements or possessory interests belonging or assessed to the delinquent taxpayer.

Assessed Valuation

The following table represents a twelve-year history of assessed valuation in the County. The assessed valuation of property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIIIA of the California Constitution.

Table 5
County of Monterey
Assessed Value of Taxable Property[1]
(In Thousands of Dollars)

Fiscal Year	Secured Roll[2]	Unsecured Roll[3]	Exemptions[4]	Net Assessed Valuations	Total Direct Tax Rate
2008-09	$52,454,129	$2,234,086	$(1,608,033)	$53,080,182	1.00%
2009-10	50,655,874	2,254,022	(1,679,121)	51,230,775	1.00
2010-11	48,774,186	2,116,423	(1,770,929)	49,119,680	1.00
2011-12	48,980,011	2,103,408	(1,856,776)	49,226,643	1.00
2012-13	49,595,091	2,122,678	(1,914,519)	49,803,250	1.00
2013-14	51,396,835	2,159,991	(2,009,761)	51,547,065	1.00
2014-15	54,354,520	2,231,717	(2,119,791)	54,466,446	1.00
2015-16	57,571,743	2,333,413	(2,196,512)	57,708,644	1.00
2016-17	60,242,461	2,370,771	(2,324,855)	60,288,377	1.00
2017-18	63,625,023	2,475,907	(2,455,639)	63,645,291	1.00
2018-19	67,593,587	2,557,084	(2,474,441)	67,676,230	1.00
2019-20	71,183,662	3,617,496	(2,627,227)	72,173,931	1.00

(1) Article XIIIA, added to the California Constitution by Proposition 13 in 1978, fixed the based for valuation of property subject to taxes at the full cash value. Additionally, Proposition 13 limits the property tax rate to 1% of assessed value, plus the rate necessary to fund local voter approved bonds and special assessments.
(2) Secured roll property is generally the real property, which is defined as land, mineral, timber, and improvements such as buildings, structures, crops, trees and vines. Also included in secured roll are unitary properties, including railroads and utilities, which cross the country and are assessed by the State Board of Equalization.
(3) Unsecured property is generally personal property, including machinery, equipment, office tools, supplies, mobile homes, and aircraft.
(4) Exempt properties include numerous full and partial exclusions/exemptions provided.
Source: County of Monterey 2018 CAFR except for Fiscal Year Ended June 30, 2019, which is from the County of Monterey tax records.

Tax Levies, Collections and Delinquencies

The County levies and collects all property taxes for property falling within its taxing boundaries. The County has not adopted the alternative method of secured property tax apportionment known as the Teeter Plan, which provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. The table below sets forth the levies, collections and percent of collections and levies for property taxes in the County for the last eleven fiscal years.

Table 6
County of Monterey
Property Tax Levies, Collections and Delinquencies
(In Thousands of Dollars)

Fiscal Year	Taxes Levied for Fiscal Year[1]	Collected within the Fiscal Year of the Levy[2] Amount	Collected within the Fiscal Year of the Levy[2] Percentage of Levy	Collections in Subsequent Years[3]	Taxes Levied Current and Delinquent	Total Collections to Date[4] Amount	Total Collections to Date[4] Percentage of Levy
2008-09	$603,438	$576,924	95.61%	$29,000	$613,523	$605,924	98.76%
2009-10	585,686	565,453	96.55	24,288	646,268	589,741	91.25
2010-11	566,445	552,997	97.63	22,076	619,428	575,073	92.84
2011-12	573,255	561,891	98.02	12,842	603,021	574,733	95.31
2012-13	582,546	572,426	98.26	11,742	601,215	584,168	97.16
2013-14	602,945	595,209	98.72	11,067	608,897	606,276	99.57
2014-15	638,813	631,178	98.80	9,701	627,324	640,879	102.16
2015-16	679,997	672,613	98.91	10,070	660,406	682,683	103.37
2016-17	708,862	701,198	98.92	6,531	700,507	707,729	101.03
2017-18	749,030	739,622	98.74	6,834	767,663	746,456	97.24
2018-19	800,083	787,856	98.47	9,299	821,548	797,155	97.03

(1) Includes Secured, Unsecured, and Unitary Taxes levied for the county itself, school districts, cities and special districts under the supervision of their own governing boards. Includes adjustments to the tax rolls from the levy date to delinquency date.
(2) Includes amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.
(3) Includes adjustments to the levy. Taxes levied less collections to date equal the delinquent taxes receivable.
(4) Includes taxes levied (current and delinquent) related to collections for the year.
Source: County of Monterey 2018 CAFR, except for Fiscal Year June 30, 2019, which is from the County of Monterey tax records.

The following table represents the ten largest taxpayers of local secured property taxes within the County as of the Fiscal Year 2019-20.

Table 7
County of Monterey
Ten Largest Taxpayers Fiscal Year 2019-20

Taxpayer	Type of Business	Taxable Assessed Value ($'000)	Rank	Percentage of Total County Assessed Value
Pebble Beach Company	Tourism	$832,023	1	1.23%
Pacific Gas & Electric Company	Utility	698,598	2	1.03
Chevron USA Inc	Petroleum	347,349	3	0.51
Dynegy Moss Landing LLC	Utility	306,600	4	0.45
Aera Energy LLC	Utility	291,775	5	0.43
D' Arrigo Bros Co	Agriculture	161,267	6	0.24
Northridge Owner LP	Retail	130,744	7	0.19
California-American Water Company	Utility	120,559	8	0.18
AAT Del Monte LLC	Real Estate	117,395	9	0.17
Scheid Vineyards California Inc	Agriculture	114,230	10	0.17
Ten Largest Taxpayers' Total		3,120,540		4.61
All Other Taxpayers' Total		$64,555,691		95.39%

Source: County of Monterey.

Transient Occupancy Tax

Tourism is second only to Agribusiness in the County generating $2.98 billion in spending in 2018. Often referred to as the "hotel tax," the County collects TOT revenues from hotel operators for the privilege of occupancy in any hotel as a percentage of the rent charged by the operator. Various tourist attractions contribute to the County's TOT revenues, including the County's Laguna Seca Recreation Area, which is responsible for generating roughly [$1.6 million] in TOT revenues in Fiscal Year 2018-19. The tax constitutes a debt owed by the transient to the County which is extinguished only by payment to the operator or to the County. The TOT rate for the County is 10.5%.

The following table shows the County's TOT revenues for Fiscal Years 2009-10 through 2018-19.

Table 8
County of Monterey
Transient Occupancy Tax Receipts
Fiscal Years 2009-10 through 2018-19

Fiscal Year	TOT Tax Receipts	Growth Rate
2009-10	$13,312,712	(8.40)%
2010-11	14,249,048	7.03
2011-12	16,722,512	17.36
2012-13	17,945,479	7.31
2013-14	19,881,258	10.79
2014-15	21,479,840	8.04
2015-16	22,834,344	6.31
2016-17	21,279,324	(6.81)
2017-18	24,959,537	17.29
2018-19(1)	28,607,881	14.62

(1) Unaudited; subject to revision and adjustment.
Source: County of Monterey 2018 CAFR.

The County's TOT revenues have recovered from the decrease experienced in Fiscal Year 2016-17, which resulted from road and park closures in the Monterey peninsula from wildfire and storm-related damage. The Monterey peninsula's roads have been repaired and tourism has continued to grow resulting in growth in Fiscal Years 2017-18 and 2018-19. Growth in such Fiscal Years is due primarily to onetime events such as the 2019 U.S. Open Championship and ongoing growth in regional tourism such as events held at the WeatherTech Raceway Laguna Seca.

Sales Taxes

The State collects a tax on retail transactions within the County and rebates 1% to the County. The allocation is in addition to the half-cent sales tax allocated for public safety purposes pursuant to Proposition 172. Sales and use taxes contributed approximately $11.4 million to the County's General Fund revenues in the Fiscal Year 2017-18, equating to approximately 1.7% of total General Fund revenues for that fiscal year. Sales and use taxes are estimated to have contributed approximately $14.2 million (unaudited) to the County's General Fund revenues in the

Fiscal Year 2018-19, equating to approximately 2.2% of total General Fund revenues for that fiscal year. The County receives a share of sales tax revenues from unincorporated areas in the County.

The following table illustrates, for unincorporated areas of the County only, the historical sales tax receipts to the General Fund for Fiscal Years 2012-13 through 2018-19, the estimated sales tax receipts for Fiscal Year 2019-20, and the computed annual rate of change for such periods.

Table 9
County of Monterey
Historical Taxable Sales and Sales Tax Receipts for Unincorporated Areas
Fiscal Years Ending 2012-13 through 2019-20

Fiscal Year	Taxable Sales(1)	Sales Tax Receipts(1)	Growth Rate of Sales Tax Receipts(2)
2012-13	$812,514,500	$8,125,145	3.8%
2013-14	866,661,600	8,666,616	6.7
2014-15(2)	947,801,600	11,378,016	31.3
2015-16	973,931,300	9,379,313	(17.6)
2016-17	922,937,600	9,229,376	(1.6)
2017-18	1,010,577,900	10,105,779	9.5
2018-19	1,143,486,400	11,434,864	13.2
2019-20(3)	1,172,081,100	11,720,811	2.5

(1) Taxable sales and sales tax receipts reflect point-of-sale transactions only for the unincorporated county area.
(2) 2014-15 receipts include a one-time audit recovery for the period spanning 2001 to 2006 in the amount of $1.9 million.
(3) Estimated.
Source: HDL Companies.

Among the information set forth in "APPENDIX B – MONTEREY COUNTY GENERAL DEMOGRAPHIC INFORMATION" is a profile of total taxable sales within the County for the past five years on a calendar year basis as reported by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017 restructured the State Board of Equalization into three separate entities: the State Board of Equalization, the California Department of Tax and Fee Administration ("**CDTFA**") and the Office of Tax Appeals. The CDTFA handles most of the taxes and fees previously collected by the Board of Equalization, including sales and use tax as of July 1, 2017.

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

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

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Outstanding Long-Term Debt

The following table summarizes the County's long-term debt payable from its General Fund and other funds of the County that was outstanding at fiscal year end June 30, 2018.

Table 10
County of Monterey
Long-Term Debt Outstanding
For the Year Ended June 30, 2018

	Maturity	Interest Rates	Principal Installments	Date of Issue	Amount Authorized	Outstanding June 30, 2018
Governmental activities						
Certificates of participation						
2017 Public Facilities Refunding *(defeased the 2007 issue for Monterey County)*	2037	3.0% – 5.0%	$223,386 - $5,798,533	2017	$74,682,250	$74,682,250
2015 *Public Facilities Issue (finance capital improvements at the Schilling Place Complex, and fund renovations of the east and west wings of the courthouse)*	2046	3.0% – 5.0%	$750,000 - $2,870,000	2015	$48,440,000	$46,915,000
2007 issue (*defeased the 1993 sheriff facility and the 2001 issue master plan financing issue plus new moneys for completion of public health and court related facilities)*	2038	4.0% - 5.0%	$2,785,000 - $6,845,000	2007	144,400,000	-
NGEN issue *(finance acquisition, construction and installation of communications system)*	2023	3.95%	$508,887 - $818,645	2010	8,518,628	4,468,230
Revenue bonds - Special Districts Agencies under Board of Supervisors	2026	5.0%	$5,400 - $37,000	1981-96	1,244,700	314,000
Revenue bonds - Water Resources Agencies under Board of Supervisors *(finance Salinas Valley water project)*	2038	4.0% - 5.0%	$550,000 - $2,085,000	2008	32,855,000	27,780,000
Notes payable - Parks & Recreation *(acquire recreational properties)*						
San Antonio Lakes Resort	2023	5.0%	$33,095	2007	4,185,000	1,544,342
Lake Nacimiento Resort	2023	5.0%	$89,478	2007	11,315,000	4,175,541
Loans payable - Bureau of Reclamation						
Agencies under Board of Supervisors *(infrastructure and facility improvements)*	2037	1.65% - 7.63%	$16,847 - $1,207,699	1995	35,035,790	21,350,905
Special assessment bonds with governmental commitment:						
General County-Chualar Water District *(infrastructure and facility improvements)*	2025	4.25% - 7.2%	$4,000 - $26,000	1984-93	257,000	83,000
					$360,933,368	$181,313,268
Business-type activities						
Certificates of Participation *(NMC Improvements)*						
2017 COP Refunding	2037	3% - 5%	$11,614 - $301,467	2017	3,882,750	3,882,750
2007 COP Refunding	2029	4% - 5%	$230,000 - $575,000	2007	8,280,000	-
2009 Refunding[(1)]	2024	2% - 5.25%	$2,175,000 - $4,225,000	2009	43,700,000	22,415,000
2010 Refunding[(1)]	2027	2% - 4%	$65,000 - $4,920,000	2010	17,845,000	17,355,000
					$ 73,707,750	$ 43,652,750

(1) To be prepaid with proceeds of the Certificates. See "THE FINANCING PLAN."
Source: County of Monterey 2018 CAFR.

The County is a party to capital equipment leases and operating leases requiring annual lease payments by the County. See "APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Statement of Direct and Overlapping Debt

Contained within the County are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue and special assessment bonds. Set forth below is a statement of direct and overlapping debt as of October 1, 2019 (the "**Debt Statement**") prepared by California Municipal Statistics, Inc. The Debt Statement is included for general information purposes only. The County has not reviewed the Debt Statement for completeness or accuracy and makes no representations in connection therewith.

The Debt Statement generally includes long term obligations sold in the public credit markets by public agencies other than the County whose boundaries overlap the boundaries of the County in whole or in part. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases long term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the debt statement.

County of Monterey
Direct and Overlapping Debt
(As of October 1, 2019)

2019-20 Assessed Valuation: $72,173,930,709 (includes unitary utility valuation)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/19
Hartnell Community College District	99.82%	$197,099,161
Monterey Peninsula Community College District	100.00	117,618,522
Carmel Unified School District	100.00	21,678,445
Monterey Peninsula Unified School District	100.00	224,481,514
North Monterey County Unified School District	100.00	31,705,000
Pacific Grove Unified School District	100.00	39,389,000
Soledad Unified School District	100.00	54,744,977
South Monterey County Joint Union High School District	98.891	24,549,691
Salinas Union High School District and School Facilities Improvement District	100.00	91,202,176
Alisal Union School District	100.00	57,246,030
Greenfield Union School District	100.00	30,609,965
Salinas City School District	100.00	40,616,475
Santa Rita Union School District	100.00	19,589,953
Washington Union School District	100.00	10,325,000
Other School Districts	Various	46,077,529
City of Marina	100.00	6,970,000
Soledad Community Hospital District	100.00	210,000
Community Facilities Districts	100.00	12,532,542
City 1915 Act Bonds	100.00	7,305,000
Special District 1915 Act Bonds	100.00	3,751,000
Monterey County Water Resources Agency Benefit Assessment District, Zone 2C	100.00	**21,130,000**
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,058,831,980

County of Monterey
Direct and Overlapping Debt
(As of October 1, 2019)
(Continued)

DIRECT AND OVERLAPPING GENERAL GOVERNMENT DEBT:		
Monterey County Certificates of Participation	**100.00%**	**$152,778,744** (1)
Monterey County Board of Education Certificates of Participation	100.00	1,415,000
North Monterey County Unified School District Certificates of Participation	100.00	4,975,000
South Monterey County Joint Union High School District General Fund Obligations	98.891	9,241,364
Other School District General Fund Obligations	Various	47,907,475
City of Carmel General Fund Obligations	100.00	5,215,000
City of Carmel Pension Obligation Bonds	100.00	2,605,000
City of Greenfield General Fund Obligations	100.00	1,103,330
City of Gonzales General Fund Obligations	100.00	6,523,029
City of Monterey General Fund Obligations	100.00	5,920,000
City of Pacific Grove Pension Obligation Bonds	100.00	6,227,042
City of Salinas Certificates of Participation	100.00	112,345,378
City of Seaside General Fund Obligations	100.00	16,080,000
City of Seaside Pension Obligation Bonds	100.00	3,825,000
Monterey County Fire Protection District Pension Obligation Bonds	100.00	5,495,000
Pajaro/Sunny Mesa Community Services District General Fund Obligations	100.00	275,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL GOVERNMENT DEBT	100.00	$381,931,362
Less: **Monterey County supported obligations**		**36,360,731**
City of Seaside supported obligations		11,020,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL GOVERNMENT DEBT		$334,550,631
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	100.00%	$47,753,791
GROSS COMBINED TOTAL DEBT		$1,488,517,133 (2)
NET COMBINED TOTAL DEBT		$1,441,136,402
Ratios to 2019-20 Assessed Valuation:		
Total Direct and Overlapping Tax and Assessment Debt	1.47%	
Gross Total Direct Debt ($173,908,744)	**0.24%**	
Net Total Direct Debt ($137,548,013)	**0.19%**	
Gross Combined Total Debt	2.06%	
Net Combined Total Debt	2.00%	
Ratios to Redevelopment Successor Agencies Incremental Valuation ($5,994,373,225):		
Total Overlapping Tax Increment Debt	0.80%	

(1) Excludes the Certificates to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Natividad Medical Center

NMC is owned and operated by the County and governed by the County Board with the assistance of a separate 11-member Board of Trustees (the "**NMC Board of Trustees**"), seven of whom are appointed by the County Board and four of whom serve in an ex-officio capacity. Founded in 1886, the NMC is a 172-bed, acute-care teaching hospital specializing in family medicine and affiliated with the University of California at San Francisco Medical School. NMC currently operates hospital based specialty clinics and provides medical/surgical hospital services as part of its medical office complex. NMC also networks with a variety of community providers and County primary care clinics. In January 2015, NMC was designated as a Level II Trauma Center. As a County entity, NMC is mandated to treat patients, regardless of ability to pay.

The mission of NMC is to provide high-quality, cost-effective health care to all residents of the community. NMC is one of 11 California County operated "safety net" hospitals providing basic health care services, regardless of ability to pay. In this respect, counties fill a critical niche left by private hospitals, which are not legally bound to provide services except for emergency services. However, this role can impose a financial burden on county hospitals.

NMC accounts for hospital operations involved in providing health services to County residents. Revenues are principally fees for patient services, payments from federal and state programs such as Medicare, Medi-Cal and Short-Doyle, and realignment revenues. NMC is not reliant on County General Fund support for operations.

The Natividad Medical Center Strategic Reserve sub-commitment is funded from unrestricted NMC net position moneys and can be used only for NMC purposes, as determined by the County Board based on recommendations of the NMC Board of Trustees. As previously described, the County maintained a strategic reserve totaling $91.5 million as of June 30, 2019. $25 million of such reserve represented the Natividad Medical Center Strategic Reserve sub-commitment. See "– Strategic Reserve Policy" above.

The support provided by the ACA has contributed to the net operating gains of NMC. If the ACA were repealed or modified, the County is unable to predict the impact on NMC's financial position.

NMC receives several sources of support payments from federal and State sources. See Note 16 to the Comprehensive Annual Financial Report included in APPENDIX C hereto.

In Fiscal Year 2018-19, NMC experienced a net operating gain of $25.7 million (unaudited). The primary driver for growth in revenue was increased patient (inpatient and outpatient) volumes and the type of payments (payer mix) received for services rendered.

Investments of County Funds; County Pool

All funds in the County Treasurer's Pooled Investments (the "**County Pool**") are invested by the County Treasurer, according to Sections 53601 and 53635, et seq. of the California Government Code and the County's Investment Policy (the "**Investment Policy**"), approved by the Board of Supervisors on July 23, 2019, prepared by the County Treasurer. The Investment Policy is submitted to the County Board for review and approval on an annual basis, and the Treasurer presents a performance review of the County Pool to the County Board on a quarterly basis. The County Pool represents moneys deposited by the County, schools, and special districts within the County. There are no voluntary depositors in the County Pool. The Investment Policy requires that all investments comply with the California Government Code and provides that the County Treasurer will establish and define authorized investments as well as credit, marketability, maturity and diversification criteria for the investments. The stated goal of the Investment Policy, in order of priority, is to minimize risk to principal, provide available cash to meet anticipated needs, and maximize earnings. The County Treasurer, or her designee, reviews the investment records, the contents of the County Pool, and the specific financial institutions with whom investments have been made.

The total amortized book value of the County Pool as of June 30, 2019 was $1,757,528,144 spread among 169 separate investments of which 36.9% (approximately $651,354,736 par value) represented the County's share with the remaining balance belonging to school, community college and special districts, and trust and agency funds held for the benefit of third parties. The market value was $1,755,722,013 and was 99.9% of the amortized book value. The County Pool's weighted average yield was 2.43%, and its earned income for the quarter ended June 30, 2019 was $10,742,480. The weighted average maturity of the portfolio was 337 days. Approximately 22% (approximately $390,106,766 par value) of the County Pool was in cash or invested in instruments with one-day maturities and money market funds. Approximately 62% (approximately $1,094,417,171 par value) of the County Pool was invested in U.S. Treasuries, Federal Agencies, negotiable CDs and commercial paper. Approximately 16% (approximately $282,430,238 par value) of the County Pool consisted of corporate notes, supranationals, municipal bonds and asset backed securities rated in the higher levels of investment grade or AAA. The County Pool contains no inverse floating rate instruments, reverse repurchase agreements and does not engage in securities lending.

Pension Obligations

This caption contains certain information relating to CalPERS. The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The County has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. Neither the County nor Purchaser can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

***Plan Description**.* The County's defined benefit pension plans -the Miscellaneous Plan of the County of Monterey ("**County MP**" or "**Miscellaneous Plan**") and the Safety Plan of the County of Monterey ("**County SP**" or "**Safety Plan**") - provide pensions for all permanent full-time general and public safety employees, respectively, of the County. County MP and County SP are agent multiple-employer defined benefit pension plans. Both plans are administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. Benefit provisions and other requirements are established by State statutes within the Public Employees Retirement Law.

CalPERS is a contributory plan deriving funds from employee contributions and employer contributions as well as earnings from investments. Changes in actuarial assumptions and benefit levels in the recent past have significantly increased pension cost estimates. Current required contributions are determined by reference to the June 30, 2018 actuarial valuations provided by CalPERS in August 2019 (the "**2019 CalPERS Report**"), using the entry age normal actuarial cost method.

Benefits Provided*.* The Miscellaneous Plan and the Safety Plan provide retirement, disability, and death benefits. Retirement benefits are based on years of service, final average compensation and retirement age. Employees terminating before accruing five years of retirement service credit forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within a prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning five years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement.

Service related disability benefits are provided to Safety Plan members based on final compensation. Nonservice related disability benefits are provided to members of both plans. The benefit is based on final compensation, multiplied by service, which is determined as follows:

- service is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or

- service is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service.

Death benefits are based upon a variety of factors including whether the participant was retired at time of death. Annual 2% cost-of-living adjustments ("**COLAs**") are provided in all plans beginning the second calendar year after the year of retirement.

There are two classes of employees under each plan: Classic (employees who joined CalPERS prior to January 1, 2013) and PEPRA (Public Employees' Pension Reform Act of 2013 -employees who joined CalPERS on or after January 1, 2013). Classic level is closed for new entrants in all plans. Below is a summary of the Plans' provisions and benefits currently in effect.

	Miscellaneous Plan		Safety Plan	
	Classic	**PEPRA**	**Classic**	**PEPRA**
Employee Class Benefit Formula	2% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit Vesting	5 years of service	5 years of service	5 years of service	5 years of service
Final Average Compensation Period	12 months	36 months	12 months	36 months
Retirement Eligibility Age	50	52	50	50
Employee contribution as a percentage of payroll	7.000%	6.200%	9.000%	10.000%
Employer contribution as a percentage of payroll	13.604%	12.069%	35.245%	21.181%
Status	Closed	Open	Closed	Open

Source: County of Monterey 2018 CAFR.

Employees Covered. Listed below are the number of employees covered by each Plan as of June 30, 2018.

	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	3,127	575
Inactive employees entitled to but not yet receiving benefits (Transferred + Terminated)	3,383	270
Active employees	4,225	541
Total	10,735	1,386

The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

Pension Contributions. For Fiscal Year 2018-19, the County's required and actual contribution was $70,490,715. The table below sets forth the annual pension costs to the County for the past seven years.

Table 11
County of Monterey
Annual CalPERS Costs

Fiscal Year Ending	Annual Actual Employer Contribution (1)	Employer Contribution Rates (Normal) Cost Rate + UAAL)(2)	Percentage of Employer Contribution
County Safety Plan:			
June 30, 2019	$20,669,311	17.612%	100%
June 30, 2018	17,488,488	16.959	100
June 30, 2017	15,533,142	33.312	100
June 30, 2016	14,051,251	30.180	100
June 30, 2015	12,875,687	28.095	100
June 30, 2014	14,352,587	28.962	100
June 30, 2013	12,974,125	27.260	100
County Miscellaneous Plan:			
June 30, 2019	$49,821,404	7.972%	100%
June 30, 2018	43,928,804	7.783	100
June 30, 2017	40,556,395	13.257	100
June 30, 2016	37,891,200	12.846	100
June 30, 2015	31,970,854	11.776	100
June 30, 2014	27,507,468	10.926	100
June 30, 2013	25,696,483	10.769	100

Source: (1) County of Monterey Auditor-Controller.
(2) CalPERS Annual Valuation reports for County of Monterey Miscellaneous and Safety Plans.

Commencing with Fiscal Year 2017-18, CalPERS determines employer contributions toward the plan's unfunded liability in dollar amounts instead of through a contribution rate. This change is intended to address potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan. In such instances, funding the unfunded liability as a percentage of payroll could lead to the underfunding of the plans. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability payment, the plan's normal cost contribution will continue to be assessed as a percentage of payroll.

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The following table provides a recent history of the required employer contributions for the Miscellaneous Plan and Safety Plan, as determined by the annual actuarial valuation.

Table 12
County of Monterey
Employer Contributions - Pension Plans

	Miscellaneous Plan				**Safety Plan**			
Fiscal Year	**Employer Normal Cost Rate**	**Employer Unfunded Rate**	**Employer Unfunded Liability Payment(1)**	**Total Employer Contribution Rate**	**Employer Normal Cost Rate**	**Employer Unfunded Rate**	**Employer Unfunded Liability Payment(1)**	**Total Employer Contribution Rate**
2013-14	7.907%	3.019%	--	10.926%	16.530%	12.432%	--	28.962%
2014-15	7.695	4.081	--	11.776	15.705	12.390	--	28.095
2015-16	7.892	4.954	--	12.846	15.678	14.502	--	30.180
2016-17	7.994	5.263	--	14.774	17.424	15.888	--	26.454
2017-18	7.783	--	$18,736,437	7.783% plus $18,736,437	16.959	--	$10,100,447	16.959% plus $10,100,447
2018-19	7.972	--	$23,664,230	7.972% plus $23,664,230	17.612	--	$12,152,096	17.612% plus $12,152,096
2019-20	8.538	--	$29,028,455	8.538% plus $29,028,455	19.302	--	$14,542,643	19.30% plus $14,542,643
2020-21	9.216	--	$33,543,803	9.216% plus $33,543,803	20.045	--	$16,448,011	20.045% plus $16,448,011

(1) Beginning with Fiscal Year 2017-18 CalPERS will collect employer contributions toward the plan's unfunded liability as dollar amounts instead of the prior method of a contribution rate. This change will address potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to the underfunding of the plans. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability payment the plan's normal cost contribution will continue to be collected as a percentage of payroll

Source: CalPERS Annual Valuation reports for County of Monterey Miscellaneous and Safety Plans.

See also "APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 10."

Actuarial Cost Method. The required contribution for Fiscal Year 2018-19 was determined as part of the June 30, 2018 actuarial valuation using the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits and for members entitled to deferred benefits is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

Amortization of Unfunded Actuarial Accrued Liability. The excess of the total actuarial accrued liability over the market value of plan assets is called the unfunded actuarial accrued liability (the "**UAAL**"). Funding requirements are determined by adding the normal cost and an amortization payment toward the unfunded liability.

Funded Status and Funding Progress. The following table shows the funded status (in thousands) of each plan as of June 30, 2018, the most recent actuarial valuation date:

	Entry Age Normal Accrued Liability	Market Value of Assets	Unfunded/ (Overfunded) Liability	Present Value of Projected Benefits	Funded Ratio
Safety	$706,148	$459,543	$246,605	$845,622	65.1%
Miscellaneous	1,952,094	1,473,836	478,258	2,388,028	75.5

Source: CalPERS Annual Valuation Reports as of June 30, 2018 for County of Monterey Miscellaneous and Safety Plans.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The tables below show a 7-year analysis of the market value of assets, the funded ratio, and the annual covered payroll as of June 30. *The following information was provided to the County by CalPERS and has not been reviewed for accuracy or audited by the County. CalPERS is responsible for the assumptions, estimates and data that are used to create the funded ratios.*

Table 13
County of Monterey
Funding History - Miscellaneous Plan
(dollars in thousands)

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll
2018	$1,952,094	$1,473,836	$478,258	75.5%	$332,304
2017	1,778,549	1,370,592	407,957	77.1	333,228
2016	1,656,141	1,241,417	414,724	75.0	317,940
2015	1,540,326	1,242,776	297,550	80.7	294,571
2014	1,449,315	1,226,206	223,109	84.6	272,494
2013	1,311,214	1,052,650	258,564	80.3	254,581
2012	1,257,304	937,183	320,121	74.5	260,100

Source: CalPERS Annual Valuation Report as of June 30, 2018 for the County of Monterey Miscellaneous Plan

Table 14
County of Monterey
Funding History - Safety Plan
(dollars in thousand)

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll
2018	$706,148	$459,543	$246,605	65.1%	$52,865
2017	648,538	428,932	219,605	66.1	50,572
2016	602,799	391,614	211,185	65.0	50,441
2015	567,901	394,718	173,183	69.5	50,549
2014	538,596	390,301	148,294	72.5	49,326
2013	482,245	335,018	147,227	69.5	46,698
2012	456,415	298,950	157,465	65.5	47,587

Source: CalPERS Annual Valuation Report as of June 30, 2018 for the County of Monterey Safety Plan.

Actuarial Methods and Assumptions*.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. For a description of the actuarial methods and assumptions used for purposes of calculating the County's pension liabilities as of June 30, 2017, see "APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 10."

Board Actions; Asset Valuation Method*.* On April 17, 2013, the CalPERS Board of Administration (the "**Board of Administration**") approved a recommendation to change the CalPERS amortization and rate smoothing policies. On November 18, 2015, the Board of Administration adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers.

On December 21, 2016, the Board of Administration voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

Fiscal Year	Discount Rate
2018-19	7.375%
2019-20	7.250
2020-21	7.000

For public agencies like the County, the new discount rate took effect on July 1, 2018. Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1% to 3% of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2% to 5% increase for most safety plans. Additionally, many CalPERS employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

On February 13, 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period and elimination of certain 5-year ramp-up and ramp-down periods, the contributions required to be made by employers, including the County with respect to the Pension Plans, are anticipated to increase beginning in fiscal year 2020-21.

Projected Contributions*.* The projected future employer contribution rates for the County are as follows. Projected future employer contribution rates are shown based on the 2019 CalPERS Annual Valuation Report with valuation date as of June 30, 2018.

County of Monterey
Projected CalPERS Employer Contributions

	Safety Plan		Miscellaneous Plan	
Fiscal Year	**Safety Plan Employer Normal Cost Rate**	**Employer Amortization of Unfunded Accrued Liability**	**Miscellaneous Plan Employer Normal Cost Rate**	**Employer Amortization of Unfunded Accrued Liability**
2020-21	20.045%	$16,448,011	9.216%	$33,543,803
2021-22	20.000	18,482,000	9.200	39,121,000
2022-23	20.000	20,272,000	9.200	43,788,000
2023-24	20.000	21,483,000	9.200	46,486,000
2024-25	20.000	22,612,000	9.200	49,284,000
2025-26	20.000	23,233,000	9.200	45,563,000

Source: CalPERS Annual Valuation Reports as of July 2019 for County of Monterey Miscellaneous Plan and Safety Plan.

See “APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 10” for additional regarding the County’s retirement plans.

Other Post-Employment Benefits

The County provides other post-employment benefits (“**OPEB**”) to certain employees as described below.

Plan Description*.* The County of Monterey Retiree Healthcare Plan (the “**OPEB Plan**”) is an agent multiple-employer defined benefit healthcare plan administered by the County. The OPEB Plan provides healthcare insurance benefits to eligible retirees. Benefit provisions are established and may be amended by the County.

Benefits Provided. The County provides retiree medical benefits through the California Public Employees' Retirement System healthcare program. The County contributes the Public Employees' Medical and Hospital Care Act ("**PEMHCA**") minimum required employer contribution ($136 per month in 2019) towards the retiree monthly premium for eligible retirees participating in PEMHCA.

At June 30, 2018, the measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	955
Inactive employees entitled to but not yet receiving benefit payments	1,521
Active employees	4,822
Total	7,298

Changes in Reporting Requirements – GASB 75. In fiscal year 2017-18, the County implemented "*Governmental Accounting Standards Board ("**GASB**") Statements No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions*" ("**GASB Statement No. 75**"). GASB Statement No. 75 established standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The standards in GASB Statement No. 75 parallel the pension standards issued in 2012 under GASB Statement No. 68. As result of the implementation of GASB Statement No. 75, the County restated its beginning net position on the government-wide statements by $26.8 million ($20.3 million governmental activities and $6.5 million business-type activities) and recognized $5.0 million of beginning deferred outflow of resources for its OPEB contributions and to establish beginning net OPEB liability of $39.8 million.

Contributions. The contribution requirements of the OPEB Plan members and the County are established and may be amended by the County. The County prefunds all or a portion of the plan through the California Employers' Retiree Benefit Trust ("**OPEB Trust**"). Employees are not required to contribute to the OPEB Plan. For Fiscal Year ended June 30, 2018, the County contributed a total of $6,972,000 to the OPEB Trust, as shown in the following table. Of this amount, $1,449,000 was paid for healthcare insurance benefits for eligible retirees, $1,277,000 was an implicit rate subsidy, and $4,246,000 was paid to fund future retirees' healthcare. For Fiscal Year ended June 30, 2019, the County contributed a total of $7,286,673 (unaudited) net of administrative expenses to the OPEB Trust. Of this amount, $1,597,673 was paid for healthcare insurance benefits for eligible retirees, $1,068,000 was an implicit rate subsidy, and $4,621,00 was paid to fund future retirees' healthcare.

Schedule of OPEB Contributions
Fiscal Years 2017-18 and 2018-19

	2017-18	**2018-19(1)**
Actuarially Determined Contribution (ADC)	$7,165,000	$7,620,000
Contribution in relation to ADC	6,972,000	7,303,971
Contribution deficiency	193,000	316,029
Covered employee payroll	$399,446,000	$416,355,728
Contributions as percentage of covered-employee payroll	2.00%	1.8%

(1) Unaudited; subject to revision and adjustment.
Source: County of Monterey.

Net OPEB Liability. The County's net OPEB liability for the measurement period ended June 30, 2018 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability for such fiscal year was determined by an actuarial valuation as of June 30, 2017 total OPEB liability, based on certain actuarial methods and assumptions. As of June 30, 2018, the County's net OPEB liability and the total OPEB liability was $39,925,000 and $67,531,000, respectively. The County's net OPEB liability for the measurement period ended June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability for such fiscal year was determined by an actuarial valuation as of June 30, 2017 total OPEB liability, based on certain actuarial methods and assumptions. As of June 30, 2019, the County's net OPEB liability and the total OPEB liability was $38,782,870 (unaudited) and $72,800,654 (unaudited), respectively.

The following presents the net OPEB liability of the County if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	Discount Rate – 1% 5.75%	Current Discount Rate 6.75%	Discount Rate + 1% 7.75%
Net OPEB Liability	$49,059,929	$38,782,870	$30,323,252

Source: County of Monterey.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. See "APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 11" for a description of the actuarial methods and assumptions used to measure the County's net OPEB liability as of June 30, 2017.

OPEB Funded Status. The funded status of the OPEB Plan as of the June 30, 2017 and June 30, 2018 measurement dates are as follows:

	June 30, 2017	June 30, 2018(1)
Total OPEB Liability – Beginning	$62,426,000	$67,531,000
Total OPEB Liability – Ending (a)	67,531,000	72,800,654
Plan Fiduciary Net Position – Beginning	$22,611,000	27,606,000
Plan Fiduciary Net Position – Ending (b)	27,606,000	34,606,000
Net OPEB Liability (a) – (b)	$39,925,000	$38,782,870
Plan Fiduciary Net Position as a percentage of the total OPEB liability	40.88%	46.7%
Covered employee payroll	330,558,000	339,446,000
Net OPEB Liability as a percentage of covered-employee payroll	12.08%	9.7%

(1) Unaudited; subject to revision and adjustment.
Source: County of Monterey.

See "APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 11" and "Schedule of Changes in the Net

OPEB Liability and Related Ratios" therein for additional information regarding the County's OPEB costs.

Labor Relations

There are 17 formal labor units, listed in Table 15 below, representing County employees. Supervisors, management, confidential employees, certain attorneys and certain other employees are not represented by an exclusive bargaining agent. Salaries and benefits are determined through a process of "meet and confer" with representatives from each of these classifications. All employees' salaries are subject to periodic renegotiation.

Table 15
County of Monterey
Labor Relations

	Bargaining Unit	Labor Organization	Number of Employees(1)	Contract Expiration
1.	Safety Unit	Deputy Sheriffs Association	294	June 30, 2019(2)
2.	Safety Supervisors	Deputy Sheriff's Association	37	June 30, 2019(2)
3.	Safety Management	Deputy Sheriff's Association	10	June 30, 2021
4.	Deputy District Attorneys	Monterey County Prosecutors Association	49	August 31, 2019(2)
5.	Deputy Public Defenders	Monterey County Public Defenders' Association	25	August 31, 2021
6.	Probation Supervisors	Probation Association	9	June 30, 2021
7.	Probation Officers	Probation Association	171	June 30, 2021
8.	Probation Managers	Probation Managers Association	16	June 30, 2021
9.	Supervisory	Service Employees International Union521	278	June 30, 2021
10.	County Counsel	Monterey County Counsel Employee Association	15	June 30, 2019(2)
11.	Health Care Unit	Service Employees International Union 521	520	June 30, 2021
12.	General Employees	Service Employees International Union 521	1,545	June 30, 2021
13.	Social Services	Service Employees International Union 521	714	June 30, 2021
14.	Resident Physicians	Service Employees International Union 521	30	December 31, 2020
15.	Park Rangers	Park Rangers Association	4	June 30, 2021
16.	Park Ranger Supervisors	Park Rangers Association	1	June 30, 2021
17.	Registered Nurses	Monterey County Registered Nurses Association	472	January 31, 2020
			4,190	

(1) Full time equivalents are based on filled positions as of September 9, 2019.
(2) County and respective labor organization are working under the terms of the respective contracts pending negotiations.
Source: County of Monterey.

RISK FACTORS

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

General Considerations – Security for the Certificates

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

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

The County has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Lease Payments may be decreased. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other activities before making Lease Payments and other payments due under the Lease Agreement. The County is currently liable on other obligations payable from General Fund revenues. See "COUNTY FINANCIAL INFORMATION – Outstanding Long-Term Debt."

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

Eminent Domain

If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property or any part thereof is taken temporarily, under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the mandatory prepayment of the Lease Payments, in an amount to be agreed upon by the County and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. There will be no abatement of Lease Payments to the extent that rental interruption insurance proceeds are available to pay Lease Payments which would otherwise be abated.

Abatement

The Lease Agreement provides that the amount of Lease Payments will be subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain) there is substantial interference with the use and occupancy by the County of the Leased Property. The amount of such abatement will be agreed upon by the County and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the County, in the Lease Agreement, waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

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

No Debt Service Reserve Fund

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

Limited Recourse on Default; No Acceleration

If the County defaults on its obligation to make Lease Payments, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The County will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments. If the County defaults on its obligation to make Lease Payments, the Trustee will have the right to re-enter and re-let the Leased Property. In the event such re-letting occurs, the County would be liable for any resulting deficiency in Lease Payments. Alternatively, the Trustee may terminate the Lease Agreement with respect to the Leased Property and proceed against the County to recover damages pursuant to the Lease Agreement.

Due to the specialized nature of the Leased Property, no assurance can be given that the Trustee will be able to re-let any portion of the Leased Property so as to provide rental income sufficient to make payments of principal and interest evidenced by the Certificates in a timely manner, and the Trustee is not empowered to sell the Leased Property for the benefit of the Owners of the Certificates. In addition, due to the governmental function of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such re-letting will not adversely affect the exclusion of any interest component of Lease Payments from federal or State income taxation.

Limitation on Remedies

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

Bankruptcy

In addition to the limitations on remedies contained in the Trust Agreement and the Lease Agreement, the rights and remedies in the Lease Agreement may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code, which governs bankruptcy proceedings of public entities such as the County, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the County. The filing of a bankruptcy petition results in a stay against enforcement of remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the County could thus limit remedies under the Lease Agreement. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease Agreement. In the event of rejection of a lease by a debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Trust Agreement, the Trustee holds Lease Payments for the benefit of the Owners of the Certificates, but Trustee's interest arises only when the Lease Payments are actually received by the Trustee following payment by the County. The Leased Property itself is not subject to any security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a County bankruptcy and a subsequent rejection of the Lease Agreement by the County, the Trustee, as assignee of the Corporation, would have a claim for damages against the County. The Trustee's claim would constitute a secured claim only to the extent of Lease Payments in the possession of the Trustee; the balance of such claim would be unsecured.

Bankruptcy proceedings would subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently entail risks of delay, limitation, or modification of their rights with respect to the Certificates. In a bankruptcy case, the amount recovered by Owners could be affected by whether the Lease Agreement is determined to be a "'true lease" or a loan or other financing arrangement (a "financing lease"), and Owners' recovery could be reduced in either case. If the Lease Agreement is determined by the bankruptcy court to constitute a "true lease" (rather than a financing lease), the County could choose not to perform under the Lease Agreement by rejecting it and the claim of the Owners could be substantially limited pursuant to Section 365 of the Bankruptcy Code to a fraction of the scheduled amount of Lease Payments, and that reduced claim amount could be impaired as an unsecured claim under a plan of adjustment. If a bankruptcy court were to treat the Lease Agreement as a financing lease then, under a plan of adjustment, the priority, payment terms, collateral, payment dates, payment sources, covenants and other terms or provisions of the Lease Agreement and the Certificates may be altered. Such a plan could be confirmed even over the objections of the Trustee and the Owners, and without their consent. For example, the amount of the Lease Payments from the County might be substantially reduced because of the power of the bankruptcy court under the Bankruptcy Code to adjust secured claims to the value of their collateral, which, as described above, could be limited to the Lease Payments held by the Trustee. In addition, there can be a substantial disparity in treatment based on the nature of the Leased Property. Whether the Lease Agreement is characterized by the bankruptcy court as a true lease or a financing lease, either scenario could result in the Owners not receiving the full amount of the principal and interest components of Lease Payments.

In a bankruptcy of the County, if a material unpaid liability is owed to the CalPERS or any other pension system (collectively the "**'Pension Systems**") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the County's ability to make Lease Payments or Additional Payments if the Lease Agreement is rejected. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or municipal law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a County bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a County bankruptcy would rule on these matters.

Revenue Sources to Pay Lease Payments

The County receives a significant portion of its annual funding from subventions by the State. As a result, decreases in the revenues received by the State can affect subventions made by the State to the County and other counties in the State. The potential impact of State budget actions for future fiscal years on the County in particular, and other counties in the State generally, is uncertain at this time.

No Liability of Corporation to the Owners

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

Substitution and Removal of the Leased Property

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

Absence of Earthquake and Flood Insurance

The County is not required by the Lease Agreement to maintain earthquake or flood coverage with respect to the Property and the County does not expect to purchase such coverage. However, the Property currently meets all standards for seismic strength required by the State. The County is not required, and has not determined, to obtain such insurance in the future, and no assurance can be made that the County will procure and maintain, or continue to procure and maintain, any such insurance. See "– Natural Disasters and Seismic Considerations" below.

Cash Management

To the extent the County Board makes needed budget adjustments and maintains a balanced budget, the County has numerous internal or external means to manage its cash flow, including but not limited to interfund borrowing, intrafund borrowing and tax and revenue anticipation notes. If the County does not take required actions and the budget is out of balance, the cash requirements of the County may exceed available cash flow. The ability of the County to borrow on an interim basis to meet any cash shortfalls also may be limited if the budget remains out of balance for a sustained period of time. The County has the legal authority to issue "warrants" in place of cash to meet various types of expenditures or appropriations as an additional means to manage its cash flow. See "COUNTY FINANCIAL INFORMATION."

Natural Disasters and Seismic Considerations

The County, like all California communities, may be subject to unpredictable seismic activity, wildfires, flood, or other natural disasters. Seismic activity, wildfires, floods and other natural disasters represents a potential risk for damage to buildings, roads, bridges and other property within the County.

Seismic. The areas at and surrounding the Leased Property, like those in much of California, may be subject to unpredictable seismic activity. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. Generally, within the State, some level of seismic activity occurs on a regular basis. During the past 150 years, California has experienced several major and numerous minor earthquakes. The County experienced a major earthquake most recently in 1989, with the Loma Prieta Earthquake, which occurred on October 17, 1989. The Loma Prieta Earthquake, with an epicenter approximately 60 miles south of San Francisco, and approximately 45 miles north of the County, measured 7.1 on the Richter scale at its epicenter.

Tsunami*.* A tsunami is a series of traveling ocean waves of extremely long length generated by disturbances associated with earthquakes occurring below or near the ocean floor. The worst resulted from the 1964 Alaskan earthquake and caused 12 deaths and at least $17 million in damages in California. Earthquakes from offshore faults and offshore landslides are capable of generating locally damaging tsunamis along the County coastline. In connection with the 1964 tsunami, Santa Cruz Harbor reported wave heights of 11 feet, a hydraulic dredge and a 38-foot cabin cruiser were sunk, and damage was reported to the harbor, though there was no inundation into the City of Santa Cruz. Monterey Harbor reported a wave height of 8.5 feet, though no damage was reported.

Wildfires*.* In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. In November 2018, the Camp Fire occurred in Butte County, California. The Camp Fire is the deadliest and most destructive wildfire in the recorded history of the State burning more than 150,000 acres and destroying more than 11,500 structures, including most of the structures in the City of Paradise, California. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future.

The land within the County is susceptible to wildland fires. Since 1999, the County has experienced more than 15 wildland fires. The Soberanes Fire, the largest wildfire in the County in recent years, commenced in July 2016. It was fully contained on October 12, 2016, after burning more than 132,00 acres along the Big Sur coast in the Los Padres National Forest, Ventana Wilderness, and adjacent private and public land in the County. At the fire's peak, over 5,000 personnel were assigned to the blaze. At the time that it was extinguished, the Soberanes fire ranked 18th on the list of the top 20 largest California wildfires, in terms of acreage burned. The Soberanes Fire was started by an illegal campfire on Garrapata State Park land. It took one life and destroyed more than 55 homes and other structures.

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

Climate Change

Hazards relating to climate change include sea level rise, flooding, heat wave, wildfires, and severe storm and wind. In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "*The Impacts of Sea-Level Rise on the California Coast*." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise. The paper further estimates that the replacement value of this property totals nearly $100 billion (in 2000 dollars). A wide range of critical infrastructure, such as roads, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

The County is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the County and the local economy.

Dependence of County on Agriculture

County's economy is dependent in large part on the agricultural industry, the largest industry in the County, which provided approximately 18.3% of all employment in the County in Fiscal Year 2017-18, according to the U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates. For calendar year 2018, the County continues to be a leader in California agricultural with more than 40 crops exceeding a production value of $4.3 billion. Area production is diverse. Vegetable crops were the single largest production category by dollar value, comprising 67.4% of the County total crops. Lettuce ($1.2 billion), broccoli ($389 million), cauliflower ($209 million), and celery ($145 million) were the leaders in this category. Fruit & Nut Crops represented the second largest category (24.5%) and consisted mostly of strawberries ($699 million) and wine grapes ($248 million). In recent years, the County has become one of the largest premium grape growing regions in California, with over 44,924 bearing acres of wine grapes. Together, these two major categories accounted for 91.9% of the County's direct farm production values.

Many factors can influence the overall health of the agricultural industry, including a reliable and affordable water supply, product supply and demand, and ecological and natural conditions and events. The economic viability of the County will, in part, be subject to all the risks generally associated with agriculture production, shipping, processing and handling including, without limitation, general market demands, preferences and consumer tastes, changes in general economic conditions, climate and weather conditions, environmental hazards, fluctuations in the market prices, natural disasters (including, without limitation, earthquakes and floods) which may result in uninsured losses, and by other similar factors. Further, future governmental policies, including, but not limited to, those which may be imposed by the State or federal government and their respective agencies, and other governmental policies to restrict or control agriculture production, biological terrorism, and immigration or workforce factors can be expected to impact the County's agricultural industry. See "– Drought" and "– Salinas Valley Groundwater Basin" below for further information.

Drought

California has a history of suffering drought conditions periodically, with the most recent drought being declared over in 2017. Notwithstanding the improved water conditions, the County cannot predict or make any representations regarding the effects that the recent drought and related conditions had or may have on the County and the reliability or adequacy of future supplies to meet future demands.

Hydrology in the western United States and the quantity of groundwater supplies are subject to cyclical changes, changes in climate and rainfall and levels of use. The County can make no assurances as to the reliability or adequacy of future supplies to meet future demands. Groundwater aquifers, upon which much of the County's agriculture depends, recover much more slowly than surface water and are limited by how much and how fast water can recharge. Unlike surface water, which can recover during a few days of heavy precipitation, groundwater aquifer recovery often takes years or decades. Excessive, long-term groundwater over-use resulting in groundwater depletion can cause subsidence and permanent loss of groundwater storage as well as water quality degradation and seawater intrusion. These long-term impacts on groundwater have not been remedied by the recent weather. See "– Dependence of County on Agriculture" above and "Salinas Valley Groundwater Basin" below for further information.

Salinas Valley Groundwater Basin

Irrigation for County agriculture is substantially provided by the Salinas Valley Groundwater Basin (the "**Salinas Basin**"). The Salinas Basin is the largest coastal groundwater basin in Central California. It lies within the southern coast ranges between the San Joaquin Valley and the Pacific Ocean, and is drained by the Salinas River. The valley extends approximately 150 miles from the La Panza Range north-northwest to its mouth at Monterey Bay, draining approximately 5,000 square miles in Monterey and San Luis Obispo Counties. The valley is bounded on the west by the Santa Lucia Range and Sierra de Salinas and on the east by the Gabilan and Diablo Ranges. The Monterey Bay acts as the northwestern boundary of the Salinas Basin. Rainfall is highest on the Santa Lucia Range (ranging from 30 to 60 inches per year) and lowest on the valley floor (about 14 inches per year). Dry years are common and droughts can extend over several years, such as the six-year drought of water years 2011 to 2016.

In 2015, the County commissioned a report by Brown and Caldwell, for a near-term assessment of the condition of the Salinas Basin within Monterey County in terms of its groundwater resources. The report notes that the current distribution of groundwater extractions is not sustainable. The consequences of no-action under continued drought conditions would be the advancement of seawater intrusion and the continued decline of groundwater head. Both conditions would necessitate the drilling of deeper groundwater wells, if feasible, to produce the quantity and quality of water needed for consumptive use and irrigation.

The County can make no assurances as to the reliability or adequacy of future supplies of groundwater to meet future demands.

The Water Resources Agency continually collects and evaluates the surface and groundwater conditions of the Salinas Basin within Monterey County. Updates are reported regularly to the Agency's Board of Directors and are available through the Agency's website. On July 11, 2017, Water Resources Agency staff presented an update to the County Board and the Water Resources Agency Board of Directors regarding progress on the County's five-year Basin Investigation. This report presented initial results on the development of an integrated hydrogeologic model of the Salinas Basin developed for the hydrologic period 1967 through 2014, and complemented the previous Brown and Caldwell report. This model will be updated throughout the five years of the County's investigation (2014 -2018) with a final report due to the County Board in 2020.

In response to the passage in 2014 of the Sustainable Groundwater Management Act ("**SGMA**"), the County and the Water Resources Agency participated in the formation of the Salinas Valley Basin Groundwater Sustainability Agency ("**SVBGSA**"), which is a Groundwater Sustainability Agency ("**GSA**") designed to manage the whole of the Salinas Basin. SGMA requires that GSAs adopt Groundwater Sustainability Plans ("**GSPs**") designed to achieve basin sustainability no later than 2040 for basins in critical conditions of overdraft and 2042 for basins not in critical condition of overdraft. The Salinas Valley Groundwater Basin contains one sub-basin in critical condition of overdraft as determined by the California Department of Water Resources. SVBGSA has undertaken the process of creating a GSP for each of the sub-basins in the overall basin in a coordinated manner, and achieving sustainability and hydrological balance as required by SGMA.

Notwithstanding the County's continued attention to groundwater management in the Salinas Basin in Monterey County, the County can make no assurances as to the reliability or adequacy of future supplies of groundwater to meet future demands.

Litigation

The County may be or become a party to litigation that has an impact on the County's General Fund. Although the County maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents, the County cannot predict what types of liabilities may arise in the future and whether these may adversely affect the ability of the County to pay Lease Payments under the Lease Agreement when due. See also "LITIGATION."

Cybersecurity

The County, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the County is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, ransomware, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the County's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The County has adopted an information technology security policy that establishes Countywide information security practices designed to protect and secure County information and information technology resources from intrusion and misuse. The County has never had a major cyber breach that resulted in a financial loss and maintains insurance coverage for cyber security losses should a successful breach ever occur.

No assurance can be given that the County's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the County. The County is also reliant on other entities and service providers, such as the Trustee in its role under the Trust Agreement. No assurance can be given that the County may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners, e.g., systems related to the timeliness of payments to Owners or compliance with disclosure filings pursuant to the Continuing Disclosure Certificate it intends to deliver in connection with the execution and delivery of the Certificates. See "CONTINUING DISCLOSURE."

State Law Limitations on Appropriations

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

Property Tax Allocation by the State; Changes in Law

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

Beginning in its Fiscal Year 1992-93, in response to its own budgetary shortfalls, the State began to permanently redirect billions of dollars of property taxes Statewide from cities, counties, and certain special districts to schools and community college districts. These redirected funds reduced the State's funding obligation for K-14 school districts by a commensurate amount. In response, Proposition 1A of 2004, approved by State voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain limitations. However, pursuant to Proposition 1A and beginning in Fiscal Year 2008-09, the State could, upon gubernatorial proclamation of fiscal hardship and following approval of two–thirds of both houses of the legislature, and it did, shift to schools and community colleges up to 8% of local government ad valorem property tax revenues, which amount must be repaid, with interest, within three years. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. In November 2010, State voters approved Proposition 22, which amends the State's constitution to eliminate the State's authority to temporarily shift additional ad valorem property taxes from cities, counties and special districts to schools, among other things. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 22." The state last passed a redirection or property tax shift applicable to fiscal years 2004-05 and 2005-06.

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

Early Prepayment Risk

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

Loss of Tax-Exemption

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

Secondary Market for Certificates

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

IRS Audit of Tax-Exempt Issues

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

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

Article XIIIA of the State Constitution

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

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

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

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

Article XIIB of the State Constitution

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

Appropriations of an entity of local government subject to Article XIIIB generally include authorizations to expend during a fiscal Year the "proceeds of taxes" levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIIIB provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

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

Articles XIIIC and XIIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

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

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

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

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

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

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

Proposition 62

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two–thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (2) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two–thirds vote of the voters within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIIIA; (5) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

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

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

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

Proposition 1A

Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A at the November 2004 election. Among other things, Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales and vehicle–license fee revenues as of November 3, 2004, and by providing that the State may not reduce any local sales–tax rate, limit existing local government authority to levy a sales–tax rate or change the allocation of local sales–tax revenues, subject to certain exceptions. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years. This shift of local government property tax can be accomplished if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two–thirds of both houses and certain other conditions are met.

Proposition 22

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

Unitary Property

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

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

Future Initiatives

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

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the County by no later than nine months following the end of the County's fiscal year (which date would be April 1 based upon the County's current fiscal year end of June 30), commencing April 1, 2020 with the report for Fiscal Year 2018-19 (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The County will file, or cause to be filed, the Annual Report with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in "APPENDIX E – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Purchaser in complying with the Securities and Exchange Commission's Rule 15c2-12(b)(5) (the "**Rule**").

The County was an obligated party during the past five years under various undertakings. In the past five years, the County has failed to comply with its undertakings pursuant to the Rule relating to debt issued by the County as follows: (i) failed to timely provide current year budgetary information for fiscal years June 30, 2014 through June 30, 2016; and (ii) failed to timely provide portions of budgetary information in its annual reports for the fiscal year ended June 30, 2014.

In the previous five years, the County was also an obligated party under undertakings pursuant to the Rule entered into in connection with a bond issuance in 2008 by the Monterey County Financing Authority and a financing for the City of Salinas for the Monterey County Public Building Project. In the previous five years, the County failed to comply with such undertakings as follows: (i) with respect to its undertaking relating to the Monterey County Financing Authority financing, the County failed to include required operating and financial data for fiscal years ended June 30, 2014 through 2016; and (ii) with respect to its undertaking relating to the City of Salinas financing, the County failed to file event notices in connection with three changes to its underlying credit ratings and two changes to the credit ratings of its bond insurers. Filings to remediate such failures have been filed on EMMA.

The Board of Supervisors is the legislative body of certain other public entities ("**Related Entities**"). In the previous five years, such Related Entities, and not the County, were obligated parties under undertakings pursuant to the Rule. No representation is made in this Official Statement as to the compliance by such Related Entities with their respective undertakings under the Rule.

On July 25, 2017, the County Board adopted a revised Debt Management Policy that emphasizes compliance with continuing disclosure undertakings, provides for the development of disclosure practices and procedures and disclosure training, and assigns responsibility for continuing disclosure to the County Auditor-Controller.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

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

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

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

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

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

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

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

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

CERTAIN LEGAL MATTERS

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

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

LITIGATION

Absence of Litigation Relating to the Certificates

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

Other Claims and Litigation

The County has certain claims pending against it. The aggregate amount of the uninsured liabilities of the County which may result from claims will not, in the opinion of the County, materially affect the County's finances or impair its ability to make Lease Payments under the Lease Agreement.

On November 8, 2016, "Measure Z," a voter initiative was approved. Measure Z (1) prohibited the use of well stimulation treatments (including fracking); (2) prohibited wastewater injection and impoundment; and (3) limited the drilling of new oil wells. Six cases were filed, challenging the measure on various grounds, including preemption, constitutional "taking," inverse condemnation, due process violation, and other challenges to the measure's validity. All cases were assigned to a single judge and certain parties were also allowed to participate on the side of the supporters of the measure. After a three-day trial, the court found that: (1) plaintiffs lacked standing to challenge the prohibition on the use of well stimulation treatment because they were not engaged in such activities; (2) the measure's prohibition on wastewater injection and impoundment was preempted by State and Federal law; and (3) the limitation on drilling new wells was also preempted by State and Federal law.

The intervenors/supporters of Measure Z have appealed the preemption rulings, and Plaintiffs have cross-appealed the standing ruling; the County dismissed its appeal in exchange for a waiver of costs by Plaintiffs. The County has remained in the case only to monitor and oppose plaintiffs' cross-appeal of the ruling. **[**The appeal has been briefed, however, oral argument has not been scheduled.**]** If, on appeal, the decision is not reversed, then there is no exposure to the County. If the decision is reversed and the limitations of new wells is not considered preempted, then there is the possibility of exposure to the County on a takings theory.

MUNICIPAL ADVISOR

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

COMPETITIVE SALE OF CERTIFICATES

The Certificates will be sold pursuant to a competitive auction held on ___________, 2019 pursuant to the terms set forth in the Official Notes of Sale for the Certificates (the "**Official Notice of Sale**").

The Certificates were awarded to ___________ (the "**Purchaser**") and are being purchased at a purchase price of $___________, which represents the aggregate principal component of the Certificates ($_____) plus net original issue premium of ($______) and less an Purchaser's discount ($_______).

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

RATINGS

Fitch Ratings, Inc. ("**Fitch**") and S&P Global Ratings ("**S&P**") have assigned municipal bond ratings of "___" and "___," respectively, to the Certificates. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of the ratings may be obtained from Fitch and S&P, respectively.

There is no assurance that any credit rating given to the Certificates will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

EXECUTION

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

COUNTY OF MONTEREY

By: ________________________________

Charles J. McKee
County Administrative Officer

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B

MONTEREY COUNTY
GENERAL DEMOGRAPHIC INFORMATION

General and Location

Monterey County (the "**County**") borders the Pacific Ocean almost at the midpoint of the California coastline, approximately 130 miles south of San Francisco and 240 miles north of Los Angeles and was incorporated in 1850 as one of the State's original 27 counties. The County covers an area of approximately 3,300 square miles, with a population in excess of 440,000. Agriculture, tourism and government are major contributors to the County's economy. The Salinas Valley, located in the eastern portion of the County, is a rich agricultural center and one of the nation's major vegetable-producing areas. The Monterey Peninsula, famed for its scenic beauty, is a year-round tourist attraction. Pebble Beach, Cypress Point, Spyglass Hill, Poppy Hills and The Links at Spanish Bay are well known Monterey Peninsula golf courses. The Monterey Bay Aquarium and the City of Carmel are other attractions that draw tourists to the Monterey Peninsula.

Population

As of January 1, 2019, the County's population was approximately 445,414, which represents a 0.56% increase above the January 1, 2018 population estimate of 442,940. The historic population estimates for the County and cities within the County as of January 1 of the years 2015 through 2019 are listed below.

MONTEREY COUNTY
Population Estimates
Calendar Years 2015 through 2019 as of January 1

	2015	2016	2017	2018	2019
Carmel-by-the-Sea	3,823	3,843	3,842	3,967	3,987
Del Rey Oaks	1,663	1,670	1,681	1,727	1,734
Gonzales	8,436	8,492	8,549	8,640	8,677
Greenfield	17,008	17,484	17,866	17,932	18,009
King City	13,911	14,255	14,480	14,527	14,724
Marina	20,697	21,027	21,528	22,548	22,957
Monterey	28,586	28,672	28,828	28,473	28,448
Pacific Grove	15,364	15,388	15,498	15,807	15,883
Salinas	158,943	161,426	162,470	161,899	162,797
Sand City	374	382	384	393	397
Seaside	34,192	34,150	34,165	34,382	33,776
Soledad	24,815	25,595	26,065	25,890	26,079
Balance of County	104,852	105,787	107,009	106,755	107,946
Total	432,664	438,171	442,365	442,940	445,414

Source: State Department of Finance estimates (as of January 1).

Per Capita Personal Income

The following table summarizes the per capita personal income for the County, the State and the nation for the years 2013 through 2017. Annual figures are not yet available for calendar years 2018 or 2019.

MONTEREY COUNTY
Per Capita Income
2013 through 2017

Year	Area	Per Capita Income
2013	Monterey County	$44,707
	California	48,471
	United States	44,462
2014	Monterey County	$46,438
	California	50,988
	United States	46,414
2015	Monterey County	$49,836
	California	53,741
	United States	48,112
2016	Monterey County	$52,316
	California	57,497
	United States	49,831
2017	Monterey County	$54,395
	California	59,796
	United States	51,640

Source: U.S. Department of Commerce and Bureau of Economic Analysis.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2015 through 2019.

MONTEREY COUNTY
Effective Buying Income
2015 through 2019

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	Monterey County	$8,412,833	$49,431
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	Monterey County	$8,776,830	$50,389
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Monterey County	$9,535,558	$52,802
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Monterey County	$10,045,200	$56,609
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Monterey County	$10,807,771	$60,275
	California	1,183,264,399	62,637
	United States	9,017,967,5639	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Commercial Activity

Total taxable sales during the first quarter of calendar year 2019 in the County were reported to be $1,543,375,241 a 0.65% decrease from the total taxable sales of $1,553,505,962 reported during the first quarter of calendar year 2018.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table.

MONTEREY COUNTY
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	7,133	$4,137,019	10,389	$5,910,531
2014	7,327	4,339,409	10,535	6,200,747
2015(1)	4,176	4,500,693	11,534	6,406,117
2016	7,390	4,663,925	11,725	6,665,936
2017	7,544	4,837,195	11,959	6,884,900
2018	7,666	5,112,856	12,490	7,339,237

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: California Department of Tax and Fee Administration, Taxable Sales in California (Sales & Use Tax).

Building and Construction

Provided below are the building permits and valuations for the County for calendar years 2014 through 2018.

MONTEREY COUNTY
TOTAL BUILDING PERMIT VALUATIONS
(VALUATIONS IN THOUSANDS)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$97,601.0	$116,703.8	$152,257.5	$165,341.2	$199,194.7
New Multi-family	8,635.9	38,947.6	22,331.7	33,318.9	51,460.6
Res. Alterations/Additions	59,821.0	63,610.6	67,799.9	73,317.4	88,972.6
Total Residential	166,057.8	219,262.0	242,389.1	271,977.5	339,627.9
New Commercial	54,561.5	62,031.5	66,171.2	62,156.5	52,935.5
New Industrial	12,104.5	4,418.3	5,469.5	8,871.2	4,774.8
New Other	15,622.6	23,916.7	8,442.4	8,938.4	19,555.8
Com. Alterations/Additions	72,052.0	132,775.1	119,296.0	91,665.4	71,837.1
Total Nonresidential	154,340.6	223,141.6	199,379.1	171,631.5	149,103.2
New Dwelling Units					
Single Family	236	374	486	523	611
Multiple Family	85	258	118	178	212
TOTAL	321	632	604	701	823

Source: Construction Industry Research Board, Building Permit Summary.

Employment and Industry

The unemployment rate in Monterey County was 4.7% in July 2019, unchanged from a revised 4.7% in June 2019, and below the year-ago estimate of 4.8%. This compares with an unadjusted unemployment rate of 4.4% for California and 4.0% for the nation during the same period.

The table below list employment by industry group for the Salinas Metropolitan Statistical Area, which is included in the County, for the years 2014 to 2018.

SALINAS METROPOLITAN STATISTICAL AREA
(Monterey County)
Annual Averages Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2018 Benchmark)

	2014	2015	2016	2017	2018
Civilian Labor Force [(1)]	218,100	218,800	220,400	219,900	224,100
Employment	198,400	201,100	203,800	204,200	210,000
Unemployment	19,700	17,600	16,700	15,700	14,000
Unemployment Rate	9.0%	8.1%	7.6%	7.2%	6.3%
Wage and Salary Employment: [(2)]					
Agriculture	52,200	53,000	53,700	53,200	55,700
Mining and Logging	200	300	200	200	300
Construction	4,900	5,200	5,900	6,000	6,500
Manufacturing	5,400	5,500	5,400	5,600	5,400
Wholesale Trade	5,400	5,300	5,400	5,600	5,900
Retail Trade	16,200	16,400	16,600	16,400	16,800
Transportation, Warehousing, Utilities	4,200	4,300	4,300	4,100	4,000
Information	1,400	1,300	1,100	1,100	1,000
Financial Activities	4,000	4,100	4,200	4,300	4,500
Professional and Business Services	12,100	12,800	13,400	13,200	13,900
Educational and Health Services	18,000	18,400	18,600	19,700	20,100
Leisure and Hospitality	22,800	23,400	24,300	24,500	25,400
Other Services	4,900	5,000	5,200	5,200	5,100
Federal Government	5,200	5,100	5,100	5,100	5,000
State Government	5,500	5,700	5,800	5,700	5,700
Local Government	19,900	20,300	21,000	22,500	23,800
Total, All Industries [(3)]	182,000	186,100	190,200	192,400	198,800

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The following table lists the largest employers within the County as of September 2019, shown in alphabetical order without regard to the number of employees.

MONTEREY COUNTY
Principal Employers
September 2019

Employer Name	Location	Industry
Al Pak Labor	Soledad	Fruits & Vegetables-Wholesale
Azcona Harvesting	Greenfield	Harvesting-Contract
Bud of California	Soledad	Fruits & Vegetables-Growers & Shippers
Carol Hatton Breast Care Ctr	Monterey	Clinics
Casa Palmero At Pebble Beach	Pebble Beach	Hotels & Motels
Community Hospital	Monterey	Hospitals
County-Monterey Behavioral	King City	Health Services
Dole Fresh Vegetables Co	Soledad	Fruits & Vegetables-Growers & Shippers
Dutra Farms	Royal Oaks	Grocers-Wholesale
Fort Hunter Liggett Military	Jolon	Military Bases
Hilltown Packing Co	Salinas	Harvesting-Contract
Mann Packing Co	Salinas	Fruits & Vegetables-Growers & Shippers
Misionero Vegetables	Gonzales	Fruits & Vegetables-Growers & Shippers
Monterey County Social Svc Dpt	Salinas	Government Offices-County
Monterey Peninsula College	Monterey	Junior-Community College-Tech Institutes
Natividad Medical Ctr	Salinas	Hospitals
Ord Community Commissary	Seaside	Military Bases
Pebble Beach Co	Pebble Beach	Resorts
Pebble Beach Co	Pebble Beach	Resorts
Quality Farm Labor	Gonzales	Labor Contractors
R C Packing	Gonzales	Packing & Crating Service
Salinas Valley Meml Healthcare	Salinas	Health Care Management
Salinas Valley Memorial Hosp	Salinas	Hospitals
Taylor Farms	Salinas	Fruits & Vegetables-Growers & Shippers
US Defense Manpower Data Ctr	Seaside	Government Offices-Us

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.

Agriculture

The following table provides a summary of agricultural production within the County for the years 2014 through 2018:

	2014	2015	2016	2017	2018
Fruit and Nut Crops	$1,033,798,000	$1,149,353,000	$1,056,777,000	$1,034,072,000	$1,043,856,000
Vegetable Crops	3,084,557,000	3,261,521,000	2,817,031,000	3,006,857,000	2,871,099,000
Field Crops	18,724,000	20,748,000	20,947,000	21,675,000	23,748,000
Seed Crops	5,466,000	4,980,000	4,429,000	5,126,000	4,874,000
Nursey Crops	286,577,000	313,689,000	276,423,000	256,103,000	204,289,000
Apiary	135,000	226,000	269,000	180,000	255,000
Livestock & Poultry	64,286,000	91,228,000	80,465,000	101,413,000	110,598,000
Totals	$4,493,428,000	$4,841,519,000	$4,256,072,000	$4,425,426,000	$4,258,719,000

Source: County of Monterey Agricultural Commission.

Transportation

Two major north-south highways connect the County with surrounding counties. State Highway 1 follows the coast. U.S. 101 follows the Salinas Valley. Highway 68 links Salinas to the Monterey Peninsula. Highways 156 and 198 link U.S. 101 with the parallel inland route in adjacent counties. Local transit needs are served by the Monterey-Salinas Transit system. Greyhound provides regularly scheduled intrastate and interstate transportation. Amtrak passenger service is available from Salinas, which is located on the Southern Pacific mainline route between San Francisco and Los Angeles. County residents and visitors utilize commercial airlines flying out of Monterey Peninsula Airport. Airport facilities are also located at Salinas Municipal Airport. Southern Pacific Transportation Company provides freight service for the interior of the County. Freight transportation is also provided by several intrastate and transcontinental trucking firms.

Education

Public school education is available through 15 elementary school districts, two high school districts, and seven unified school districts. Total public school enrollment in the 2018-19 school year is 77,923. The table below shows public school enrollment for the past five Fiscal Years.

	2015	**2016**	**2017**	**2018**	**2019**
K - 8	55,688	55,434	55,016	55,687	55,114
9 - 12	21,829	21,334	20,981	22,267	22,809
Total	75,997	76,768	77,517	77,954	77,923

Source: California Department of Education, Educational Demographic Unit.

The County is served by a California State University campus, two public community colleges, Hartnell College and Monterey Peninsula College, as well as a private institution, The Monterey Institute of International Studies. Hartnell is located in Salinas and serves approximately 17,000 students. Monterey Peninsula College is located in the City of Monterey and has an enrollment of approximately 9,100. Both colleges offer courses off campus. The Monterey Institute of International Studies at Monterey is located in the City of Monterey and has an enrollment of approximately 764. Its emphasis in undergraduate and graduate study is foreign policy, diplomacy, international relations, and languages. California State University, Monterey Bay is located on the site of the former Fort Ord and has an enrollment of approximately 7,545.

APPENDIX C

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2018

APPENDIX D

PROPOSED FORM OF SPECIAL COUNSEL OPINION

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$____________*
County of Monterey
2019 Certificates of Participation
(Public Facilities Refinancing)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Monterey (the "County") in connection with the issuance of $_________ County of Monterey 2019 Certificates of Participation (Public Facilities Refinancing) (the "Certificates"). The Certificates are being issued pursuant to Trust Agreement dated as of December 1, 2019 (the "Trust Agreement"), between the County and U.S. Bank, National Association (the "Trustee"). The County covenants and agrees as follows:

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

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

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

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

"*Dissemination Agent*" means U.S. Bank National Association or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

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

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

"*Official Statement*" means the final official statement executed by the County in connection with the issuance of the Certificates.

"*Participating Underwriter*" means ________________, the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

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

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2020, with the report for Fiscal Year 2018-19, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the County) has not received a copy of the Annual Report, the Dissemination Agent shall contact the County to determine if the County is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the County hereunder.

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

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

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, an update for the most recently ended fiscal year of the information contained in the tables (without any requirement to provide unaudited financial information of the County for any such tables) with the following headings in the Official Statement:

(1) Table 1 - General Fund Balance Sheet.

(2) Table 2 - General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance.

(3) Table 3 - General Fund Budgets.

(4) Table 4 - General Fund Budget for Most Recently Ended Fiscal Year.

(5) Table 5 - Assessed Value of Taxable Property.

(6) Table 6 - Property Tax Levies, Collections and Delinquencies.

(7) Table 7 - Ten Largest Taxpayers.

(8) Table 8 - Transient Occupancy Tax Receipts.

(9) Table 9 - Historical Taxable Sales and Sales Tax Receipts for Unincorporated Areas.

(10) Table 10 - Long-Term Debt Outstanding.

(11) Table 11 - Annual CalPERS Costs.

(12) Table 13 - Funding History - Miscellaneous Plan.

(13) Table 14 - Funding History - Safety Plan.

(14) An update of the financial and operating data contained in the Official Statement under the caption "COUNTY FINANCIAL INFORMATION – Investments of County Funds; County Pool."

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The County shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

(1) Principal and interest payment delinquencies.

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

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

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

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

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the County or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the County or an obligated person, or the sale of all or substantially all of the assets of the County or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

(c) The County acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The County shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the County obtains knowledge of the occurrence of any of these Listed Events, the County will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the County will cause a notice to be filed as set forth in paragraph (b) above.

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

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

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

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

Section 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. Any Dissemination Agent may resign by providing 30 days' written notice to the County.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

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

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

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

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

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the County fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the County hereunder, and shall not be deemed to be acting in any fiduciary capacity for the County, the Bond holders or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

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

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

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

Date: _____________, 2019

COUNTY OF MONTEREY

By: ________________________________

Charles J. McKee
County Administrative Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	County of Monterey, California
Name of Issue:	$ ________ County of Monterey 2019 Certificates of Participation (Public Facilities Refinancing)
Date of Issuance:	____________, 2019

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated as of __________, 2019, executed by the County. The County anticipates that the Annual Report will be filed by _____________.

Dated:____________, 20__

COUNTY OF MONTEREY

By: ________________________________

Title: ______________________________