This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED JULY __, 2015

NEW ISSUE – FULL BOOK ENTRY

RATINGS: Fitch: "____"
S&P: "____"
(See "RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the interest component of the Base Rental Payments paid by the County under the Lease Agreement and received by the owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, such interest component is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest component is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest with respect to, the Certificates. See "TAX EXEMPTION" herein.

$___________*

COUNTY OF MONTEREY
CERTIFICATES OF PARTICIPATION
(2015 PUBLIC FACILITIES FINANCING)

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

The Certificates evidence direct, fractional undivided interests of the Owners thereof in the Base Rental Payments (which include principal components and interest components) to be made by the County of Monterey, California (the "County") for the use of certain real property (the "Property") pursuant to a Lease Agreement, dated as of _____ 1, 2015 (the "Lease Agreement"), by and between the County, as lessee, and the County of Monterey Public Improvement Corporation (the "Corporation"), as lessor. The proceeds of the Certificates will be used to (i) finance a portion of the costs of the construction, rehabilitation, renovation, acquisition and installation of certain facilities including improvements at 1441 Schillings Place and renovations of the East and West Wings of the Courthouse, and (ii) pay the costs incurred in connection with the execution and delivery of the Certificates. See "PLAN OF FINANCE" and "THE PROJECT." The County has covenanted under the Lease Agreement to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments as a separate line item in its annual budgets, and to make the necessary annual appropriations for all such Rental Payments. See "SECURITY AND SOURCES OF PAYMENT."

The County's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. See "RISK FACTORS – Abatement."

Interest represented by the Certificates is payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2016. See "THE CERTIFICATES" herein. The Certificates will be initially delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of $5,000 and any integral multiple thereof. Principal and interest payments evidenced by the Certificates are payable directly to DTC by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Certificates. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

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

THE OBLIGATION OF THE COUNTY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF 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.

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* Preliminary, subject to change.

MATURITY SCHEDULE
See Inside Cover Page

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See “RISK FACTORS” for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if executed and delivered and received by the Underwriter, subject to the approval by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel to the County. Certain legal matters will be passed upon for the Underwriter by its Curls Bartling P.C. Certain legal matters will be passed upon for the County by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, as Disclosure Counsel to the County, and for the County and the Corporation by County Counsel. It is anticipated that the Certificates in definitive form will be available for delivery to DTC in New York, New York on or about August __, 2015.

Barclays

Dated: August __, 2015

MATURITY SCHEDULE*

$_______ Serial Certificates

CUSIP No.†

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	CUSIP No.

$________ ____% Term Certificates Due October 1, 20__ – Price: ____
$________ ____% Term Certificates Due October 1, 20__ – Price: ____
$________ ____% Term Certificates Due October 1, 20__ – Price: ____

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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 CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the County, the Underwriter or their respective agents or counsel assume responsibility for the accuracy of such numbers.

COUNTY OF MONTEREY, CALIFORNIA

BOARD OF SUPERVISORS

John Phillips, *Chair*, *District Two*
Simon Salinas, *Vice Chair, District Three*
Fernando Armenta, *District One*
Jane Parker, *District Four*
Dave Potter, *District Five*

COUNTY OFFICIALS

Lew C. Bauman, *County Administrative Officer*
Mary Zeeb, *Treasurer – Tax Collector*
Michael J. Miller, *Auditor – Controller*
Ron Holly, *Chief Deputy Auditor-Controller*
Charles J. McKee, *County Counsel*

COUNTY OF MONTEREY PUBLIC IMPROVEMENT CORPORATION

BOARD OF DIRECTORS

Michael J. Miller, *President*
Mary Zeeb, *Vice-President*
Dewayne Woods, *Secretary/Treasurer*

SPECIAL SERVICES

Special Counsel and Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

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

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

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

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

The information set forth herein has been obtained from the County and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the County's forecasts in any way. Neither the County nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

The County maintains a website, however, the information presented therein is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Certificates.

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OFFICIAL STATEMENT

$___________*
COUNTY OF MONTEREY
CERTIFICATES OF PARTICIPATION
(2015 Public Facilities Financing)

INTRODUCTION

This Official Statement (which includes the cover page, inside cover page and Appendices hereto) (this "Official Statement"), provides certain information concerning the sale and delivery of County of Monterey Certificates of Participation (2015 Public Facilities Financing) evidencing direct, fractional undivided interests of the owners thereof in base rental payments to be made by the County of Monterey, California. This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Certificates (as defined herein) to potential investors is made only by means of the entire Official Statement. 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 same meanings assigned to such terms as set forth therein. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS."

General

This Official Statement is provided to furnish information in connection with the execution, sale and delivery of $___________* aggregate principal amount of Certificates of Participation (2015 Financing Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of _____ 1, 2015 (the "Trust Agreement"), by and among the County of Monterey (the "County"), the County of Monterey Public Improvement Corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Proceeds of the Certificates will be used to (i) fund capital improvements at 1441 Schillings Place (the "Schilling Place Complex"), (ii) fund renovations of the East and West Wings of the Courthouse (the "Courthouse Complex"), and (iii) pay costs incurred in connection with executing and delivering the Certificates. See "PLAN OF FINANCE," "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS." The County will lease the site of its Schilling Place Complex, the Courthouse Complex and other County facilities (subject to release) described herein (the "Sites") and the improvements thereon (collectively, the "Facility" and together with the Site, the "Property") to the Corporation pursuant to a Ground Lease, dated as of _____ 1, 2015 (the "Ground Lease"). The Corporation will sublease the Property back to the County pursuant to a Lease Agreement, dated as of _____ 1, 2015 (the "Lease Agreement"). See "THE PROPERTY" herein. The Certificates are payable solely from and secured by certain lease payments ("Lease Payments") to be made by the County to the Corporation pursuant to the Lease Agreement. See "SECURITY AND SOURCES OF PAYMENT" and "THE PROPERTY."

* Preliminary, subject to change.

Interest with respect to the Certificates is payable on April 1 and October 1 of each year, commencing April 1, 2016. The Certificates will mature in the amounts and on the dates and bear interest at the rates shown on the inside cover page of this Official Statement. See "THE CERTIFICATES."

The County

The County borders the Pacific Ocean almost at the midpoint of the California coastline, approximately 100 miles south of San Francisco and 240 miles north of Los Angeles. It covers an area of approximately 3,300 square miles, with a population of approximately 425,413 as of January 1, 2015. Agriculture, tourism, and government are major contributors to the County's economy. The County's General Fund budget for Fiscal Year 2014-15 included revenues of approximately $543.1 million and a beginning available unassigned fund balance of approximately $17.6 million. The adopted General Fund budget for Fiscal Year 2014-15 includes revenues of $543.1 million. See "THE COUNTY," "COUNTY FINANCIAL INFORMATION" and APPENDIX A – "GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY."

Security and Sources of Payment

The Certificates will be executed and delivered pursuant to the Trust Agreement and will evidence direct, fractional undivided interests in the Base Rental Payments to be made by the County under the Lease Agreement for the use of the Property. See "THE PROPERTY." The Trustee and the Corporation will enter into an Assignment Agreement, dated as of _____ 1, 2015 (the "Assignment Agreement"), pursuant to which the Corporation will assign to the Trustee for the benefit of the Certificate Owners all of the Corporation's right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement.

The County will covenant under the Lease Agreement to take such action as may be necessary to include all Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. See "SECURITY AND SOURCES OF PAYMENT – Sources of Funds for Base Rental Payments; Covenant to Appropriate Funds." Base Rental Payments are subject to complete or partial abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. See "RISK FACTORS."

THE OBLIGATION OF THE COUNTY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF 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.

For more complete and detailed information, see "SECURITY AND SOURCES OF PAYMENT." For a discussion of certain risks associated with the County's ability to make Base Rental Payments for the Property, see "RISK FACTORS."

No Reserve Fund

The County will not fund a reserve fund for the Certificates. Amounts held or to be held in a reserve fund or account established for any other series of bonds or certificates or any reserve fund credit policy for any other series of bonds or certificates will not be used or drawn upon to pay principal of or interest on the Certificates.

Description of the Certificates

The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of $5,000 and any integral multiple thereof. Principal and interest payments evidenced by the Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Certificates. See "THE CERTIFICATES – General" and APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

The Certificates are subject to prepayment as described herein. See "THE CERTIFICATES – Prepayment Provisions."

For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see "THE CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." The summaries and descriptions in this Official Statement of the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Continuing Disclosure Agreement and other agreements relating to the Certificates are qualified in their entirety by the respective form thereof and the information with respect thereto included in such documents.

Offering and Delivery of the Certificates

The Certificates are offered when, as and if executed, delivered and received by the Underwriter, subject to approval by Special Counsel and the satisfaction of certain other conditions. It is anticipated that the Certificates will be available in book-entry form for delivery through DTC in New York, New York, on or about August __, 2015.

Certificate Owners' Risks

Certain events could affect the ability of the County to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

Abatement

Under the Lease Agreement, the obligation of the County to make Rental Payments is subject to abatement in whole or in part during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property or any portion thereof. The amount of the abatement will be such that the resulting Rental Payments do not exceed the fair rental value of the portions of the Property as to which there is no such substantial interference. See "SECURITY AND SOURCES OF PAYMENT – Abatement" and "RISK FACTORS – Abatement." Abatement of Base Rental Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, would result in all Certificate Owners receiving less than the full amount of principal and interest evidenced by the Certificates. To the extent proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement in amounts in excess of the annual fair rental value of that portion of the Property available for use and occupancy by the County.

Tax Exemption

For a summary of the opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel, see "TAX EXEMPTION" herein and APPENDIX D – "PROPOSED FORM OF OPINION OF SPECIAL COUNSEL."

Continuing Disclosure

The County has agreed to provide, or cause to be provided through the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board ("MSRB") certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT" herein for a description of the specific nature of the annual report and notices of enumerated events and a summary description of the terms of the disclosure agreement pursuant to which such reports are to be made.

Other Information

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement will, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position 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 descriptions herein of the Trust Agreement, the Ground Lease, the Lease Agreement, the Assignment Agreement, and any other agreements relating to the Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." Copies of the documents are on file and available for inspection at the office of the Trustee at 400 South Hope Street, Suite 400, Los Angeles, California 90071.

THE CERTIFICATES

General

The Certificates evidence and represent direct, fractional undivided interests of the Owners thereof in the principal and interest components of Base Rental Payments to be made by the County pursuant to the Lease Agreement. The Certificates will be dated as of their initial date of delivery and will be executed and delivered in denominations of $5,000 or integral multiples thereof. The interest components evidenced by the Certificates will be due and payable semiannually on April 1 and October 1 of each year, commencing April 1, 2016.

Interest evidenced by the Certificates will be computed on the basis of a 360-day year consisting of twelve, 30-day months. The Base Rental Payments evidenced by the Certificates will be payable no later than the 15th day next preceding each Interest Payment Date, the principal components of which will evidence principal components calculated at the rates per annum, all as set forth on the inside cover page of this Official Statement.

The Certificates will be subject to the Book-Entry System of registration, transfer and payment, and each Certificate will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). As part of such Book-Entry System, DTC has been appointed securities depository for the Certificates, and registered ownership may not thereafter be transferred except as provided in the Trust Agreement. The Certificates are being delivered in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Certificates. Rather, in accordance with the Book-Entry System, purchasers of Certificates will have beneficial ownership interests in the purchased Certificates through DTC Participants. For more information concerning the Book-Entry System, see APPENDIX E – "BOOK-ENTRY ONLY SYSTEM" herein.

While the Certificates are subject to the Book-Entry System, payments of principal and interest evidenced by the Certificates will be made by the Trustee to DTC, which in turn is obligated to remit such principal and interest to its DTC Participants for subsequent disbursement to beneficial owners of the Certificates as described herein. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM" herein.

Exchange and Transfer

The following provisions regarding the exchange and transfer of the Certificates apply only during any period in which the Certificates are not subject to the Book-Entry System. While the Certificates are subject to the Book-Entry System, their exchange and transfer will be effected through DTC and the DTC Participants and will be subject to the procedures, rules and requirements established by DTC.

Each Certificate is transferable by the Owner thereof, in person or by such Owner's attorney duly authorized in writing, at the Principal Office of the Trustee on the Registration Books, upon surrender of such Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. Whenever any Certificate shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Each Certificate may be exchanged at the Principal Office of the Trustee for Certificates evidencing principal in a like aggregate amount and having the same stated Principal Payment Date in such Authorized Denominations as the Owner thereof may request. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to transfer or exchange any Certificate during the period commencing on the date five days before the date of selection of Certificates for prepayment and ending on the date of mailing notice of such prepayment, nor shall the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

Prepayment Provisions

Optional Prepayment. The Certificates maturing on or before October 1, 20__ are not subject to optional prepayment prior to their stated Principal Payment Dates. The Certificates maturing on and after October 1, 20__ are subject to optional prepayment prior to their stated Principal Payment Dates on any date on or after October 1, 20__, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement from any source of available funds, any such prepayment to be at a price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

Extraordinary Prepayment. The Certificates are subject to extraordinary prepayment on any date prior to their stated Principal Payment Dates, in whole or in part, in Authorized Denominations, from and to the extent of any insurance proceeds or condemnation award paid with respect to all or a portion of the Property remaining after payment therefrom of all reasonable expenses incurred in the collection thereof (the "Net Proceeds") received with respect to all or a portion of the Property and deposited by the Trustee in the Prepayment Fund in accordance with the Trust Agreement, at a prepayment price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

Mandatory Sinking Account Prepayment. The Certificates with a stated Principal Payment Date of October 1, 20__ are subject to prepayment prior to their stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each October 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor will be as follows:

Sinking Fund Prepayment Date (October 1)	Principal Amount to be Prepaid

* Maturity.

In each case, the amount of such mandatory sinking account prepayment will be reduced proportionately in the event and to the extent of any and all prepayments of Certificates with a stated Principal Payment Date of October 1, 20__ other than mandatory sinking account prepayments.

The Certificates with a stated Principal Payment Date of October 1, 20__ are subject to prepayment prior to their stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each October 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor will be as follows:

Sinking Fund Prepayment Date (October 1)	Principal Amount to be Prepaid

* Maturity.

In each case, the amount of such mandatory sinking account prepayment will be reduced proportionately in the event and to the extent of any and all prepayments of Certificates with a stated Principal Payment Date of October 1, 20__ other than mandatory sinking account prepayments.

Selection of Certificates for Prepayment. Whenever less than all the Outstanding Certificates are to be prepaid on any one date, the Trustee will select the Certificates to be prepaid (a) with respect to any extraordinary prepayment of Certificates, among Certificates with different stated Principal Payment Dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates are abated pursuant to the Lease Agreement, and (b) with respect to any optional prepayment of Certificates, as directed in a Written Request of the County, and by lot among Certificates with the same stated Principal Payment Date in any manner that the Trustee deems fair and appropriate, which decision will be final and binding upon the County, the Corporation and the Owners.

Notice of Prepayment. The Trustee will mail (by first class mail) notice of any prepayment to the respective Owners of any Certificates designated for prepayment at their respective addresses appearing on the Registration Books at least 30 but not more than 60 days prior to the date fixed for prepayment. Such notice will state the date of the notice, the prepayment date, the prepayment place and the prepayment price and will designate the CUSIP numbers, if any, the Certificate numbers and the stated Principal Payment Date or Principal Payment Dates of the Certificates to be prepaid (except in the event of prepayment of all of the Certificates in whole), and will require that such Certificates be then surrendered at the Principal Office of the Trustee for prepayment at the prepayment price, giving notice also that further interest evidenced by such Certificates will not accrue from and after the date fixed for prepayment. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the prepayment of the Certificates or the cessation of accrual of interest evidenced thereby from and after the date fixed for prepayment.

While the Certificates are subject to the Book-Entry System, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations, and the Trustee will not be required to give any such notice of prepayment to any other person or entity. DTC and the DTC Participants will have sole responsibility for providing any such notice of prepayment to the beneficial owners of the Certificates to be prepaid. Any failure at DTC to notify any DTC Participant, or any failure of a DTC Participant to notify the beneficial owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment described below under “Effect of Prepayment.”

With respect to any notice of any optional prepayment of Certificates, unless at the time such notice is given the Certificates to be prepaid will be deemed to have been paid within the meaning of and effect of the Trust Agreement regarding defeasance of Certificates, such notice will state that such prepayment is conditional upon receipt by the Trustee, on or prior to the date fixed for such prepayment, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the prepayment price of, and accrued interest evidenced by, the Certificates to be prepaid, and that if such moneys will not have been so received said notice will be of no force and effect and such Certificates will not be required to be prepaid. In the event a notice of prepayment of Certificates contains such a condition and such moneys are not so received, the prepayment of Certificates as described in the conditional notice of prepayment will not be made and the Trustee will, within a reasonable time after the date on which such prepayment was to occur, give notice to the Persons and in the manner in which the notice of prepayment was given, that such moneys were not so received and that there will be no prepayment of Certificates pursuant to such notice of prepayment.

Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the Owner thereof a new Certificate or Certificates evidencing the unprepaid principal evidenced by the Certificate surrendered.

Effect of Prepayment. If notice of prepayment has been duly given as aforesaid and moneys for the payment of the prepayment price of the Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Certificates so called for prepayment will become payable at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced by the Certificates so called for prepayment will cease to accrue, such Certificates will cease to be entitled to any benefit or security under the Trust Agreement and the Owners of such Certificates will have no rights in respect thereof except to receive payment of the prepayment price thereof, and such moneys will be pledged to such prepayment. The Trustee will, upon surrender for payment of any of the Certificates to be prepaid, pay such Certificates at the prepayment price thereof.

All Certificates prepaid as provided above will be canceled by the Trustee and will not be redelivered.

SECURITY AND SOURCES OF PAYMENT

Nature of the Certificates

Each Certificate evidences a direct, fractional undivided interest in the principal component of the Base Rental Payment due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Base Rental Payments.

The Corporation, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Certificate Owners all of the Corporation's right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the County under and pursuant to the Lease Agreement. The County will pay Base Rental Payments directly to the Trustee, as assignee of the Corporation. See "– Base Rental Payments" below.

Base Rental Payments

For the use and possession of the Property, the Lease Agreement requires the County to make Base Rental Payments. [The Base Rental Payments evidenced by the Certificates will be payable no later than the 15th day next preceding each Interest Payment Date.] To secure the payment of the Base Rental Payments, the County is required to pay to the Trustee, for deposit into the Base Rental Payment Fund, on the fifteenth day before each Interest Payment Date, an amount sufficient to pay the Base Rental Payment then due.

Pursuant to the Trust Agreement, the Trustee will (i) on each Interest Payment Date, deposit in the Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as the interest component coming due on such Interest Payment Date; and (ii) on each Principal Payment

Date and each Mandatory Sinking Account Payment Date, deposit in the Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. Moneys in the Principal Fund will be used by the Trustee for the purpose of paying the principal evidenced by the Certificates when due and payable at their stated Principal Payment Date or upon earlier prepayment from Mandatory Sinking Account Payments to provide for the payment of the interest and principal evidenced by the Certificates.

THE OBLIGATION OF THE COUNTY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF 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.

Sources of Funds for Base Rental Payments; Covenant to Appropriate Funds

The County has covenanted under the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Corporation relating to the Property, fees and expenses of the Trustee, insurance premiums and other amounts payable under the Lease Agreement or the Trust Agreement), due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

Abatement

Base Rental Payments are paid by the County in each Rental Period for the County's right to use and occupy the Property for such Rental Period. The obligation of the County to pay Rental Payments will be abated, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments will be abated proportionately, and the County waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement will continue in full force and effect. The County and the Corporation will, in a reasonable manner and in good faith, determine the amount of such abatement; provided, however, that the Rental Payments due for any Rental Period will not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the County during such Rental Period. The County and the Corporation will provide the Trustee with a certificate setting forth the amount of abatement and the basis therefor. Such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed. Notwithstanding the foregoing, to the extent that Net Proceeds of rental interruption insurance are available for the payment of Rental Payments, Rental Payments will not be abated as provided in above but, rather, will be payable by the County as a special obligation payable solely from such Net Proceeds.

The Trustee cannot terminate the Lease Agreement in the event of such substantial interference. Abatement of Base Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the County. For a description of abatement resulting from condemnation of all or part of the Property, see APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – *Rental Abatement*."

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property result in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), eminent domain proceeds, if any, are insufficient to make all payments of principal and interest evidenced by the Certificates during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease Agreement and the Trust Agreement, no remedy is available to the Certificate Owners for nonpayment under such circumstances.

Substitution or Release of the Property

The Lease Agreement provides that, upon compliance with certain conditions specified therein, the County may release from the Lease Agreement any portion of the Property or substitute alternate real property for all or any portion of the Property, subject to the following conditions, among others, precedent to such substitution or release: (a) an independent certified real estate appraiser selected by the County will have found (and will have delivered a certificate to the County and the Trustee setting forth its findings) that the Property, as constituted after such substitution or release (i) has an annual fair rental value greater than or equal to 105% of the maximum amount of the Base Rental Payments coming due in the then current Rental Period or any subsequent Rental Period, (ii) has a fair replacement value at least equal to the aggregate amount of principal evidenced by the Certificates then Outstanding, and (iii) has a useful life equal to or greater than the useful life of the Property, as constituted prior to such substitution or release; (b) the County will have certified to the Trustee that the substituted real property is of approximately the same degree of essentiality to the County as the portion of the Property for which it is being substituted; and (c) the County will have provided the Trustee with an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS –LEASE AGREEMENT – Substitution or Release of the Property." Notwithstanding any such substitution or release, there will be no reduction in or abatement of the Base Rental Payments due from the County under the Lease Agreement as a result of such substitution or release.

Action on Default

Should the County default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the County, or may retain the Lease Agreement and hold the County liable for all Base Rental Payments thereunder on an annual basis. Base Rental Payments may not be accelerated upon a default under the Lease Agreement. See "RISK FACTORS."

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 C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – *Events of Default and Remedies*" and "– TRUST AGREEMENT – *Events of Default and Remedies*."

Additional Rental Payments

The Lease Agreement requires the County to pay, as Additional Rental Payments thereunder in addition to the Base Rental Payments, such amounts as will be required for the payment of the following: (i) all taxes and assessments of any type or nature charged to the Corporation or the County or affecting the Property or the respective interests or estates of the Corporation or the County therein; (ii) insurance premiums for all insurance required under the Lease Agreement; and (iii) all other payments not constituting Base Rental Payments required to be paid by the County pursuant to the provisions of the Lease Agreement including all expenses, compensation and indemnification of the Trustee payable by the County under the Trust Agreement and any amounts with respect to the Lease Agreement or the Certificates required to be rebated to the federal government, and all other payments required to be paid by the County under the Lease Agreement or the Trust Agreement.

Insurance

The Lease Agreement requires the County to cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake and flood), subject to a $100,000 loss deductible provision, in an amount equal to the full insurable value of the Property. The casualty insurance required by the Lease Agreement may be maintained in the form of self-insurance by the County, in compliance with the terms of the Lease Agreement.

The Lease Agreement requires the County to cause to be maintained, throughout the term of the Lease Agreement, rental interruption insurance to cover the Corporation's (or its assignee's) loss of rental income from the Property caused by perils covered by the casualty insurance described above, in an amount not less than two times the maximum remaining scheduled Base Rental Payments in any Rental Period. The County's obligation to maintain such rental interruption insurance may not be satisfied by self-insurance.

The County is also required to obtain certain public liability and property damage insurance coverage in protection of the County and worker's compensation insurance as described under APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – *Insurance*."

The County is required under the Lease Agreement to obtain title insurance on the Property, in an aggregate amount of not less than the aggregate principal evidenced by the Certificates, subject only to Permitted Encumbrances, as defined in the Lease Agreement.

No Reserve Fund

The County will not fund a reserve fund for the Certificates. Amounts held or to be held in a reserve fund or account established for any other series of bonds or certificates or any reserve fund credit policy for any other series of bonds or certificates will not be used or drawn upon to pay principal of or interest on the Certificates.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Certificates are shown below.

SOURCES

Principal Amount of Certificates	
Net Original Issue Premium	
Total Sources	

USES

Acquisition Fund	
Costs of Issuance Fund (1)	
Total Uses	

(1) Includes legal, rating agency, printing costs, underwriter's discount, and other miscellaneous costs of issuance.

PLAN OF FINANCE

Net proceeds from the sale of the Certificates will be used to (i) finance a portion of the costs of the construction, rehabilitation, renovation, acquisition and installation of certain facilities comprising (a) tenant improvements at 1441 Schillings Place in the amount of $16,000,000 and (b) renovations of the Courthouse Complex in the amount of $36,000,000, and (ii) pay the costs incurred in connection with the execution and delivery of the Certificates. The Property leased under the Lease Agreement includes a portion of that County property to be improved with the proceeds from the sale of the Certificates. Upon completion, these facilities will house County personnel and operations.

In the last fifteen years, the County commenced a renovation of facilities including the Courthouse Complex in order to consolidate and provide facilities for the District Attorney's Office, the County Law Library, Office of the Public Defender, County Counsel and Probation Department. After discovering remediation costs in excess of the proceeds of prior certificates of participation and funds on hand, the County determined to complete the North Wing of the facilities and to suspend work on the East and West Wings of the Courthouse Complex. The combined size of the East and West Wings of the Courthouse Complex is 70,675 square feet. Upon completion, these two buildings will house County personnel. See "RISK FACTORS - Risk of Delay in Completion of the Project."

THE PROPERTY

Description

The Property consists of the following real property and improvements, with costs of improvements thereon to be paid from net proceeds of the Certificates:

The Schillings Place Complex. The Schillings Place Complex ("Schillings"), consists of three buildings: 1441 Schillings Place ("Building A"), a LEED Gold Certified office building comprising 198,337 square feet of office space (excluding 4,021 sq. ft. of interior courtyard) in a South Building comprising approximately 93,725 square feet and a North Building comprising approximately 108,833 square feet; 1488 Schillings Place ("Building B"), a warehouse facility comprising 87,207 square feet (excluding 6,122 sq. ft. of covered dock area); and, 1494 Schillings Place ("Building C"), a daycare facility comprising 4,500 square feet. The Complex is situated on 24.47 acres near the Salinas Airport adjacent to Highway 101.

Courthouse Complex. The East and West Wings of the Courthouse Complex are separate buildings located at 240 Church Street in Salinas, California. The East Wing comprises approximately 22,272 square feet and the West Wing comprises approximately 50,526 square feet.

The County has experienced various delays and certain additional, unanticipated costs as described herein. In the last fifteen years, the County commenced a renovation of facilities including the Courthouse Complex. After discovering remediation costs in excess of the proceeds of prior certificates of participation and funds on hand, the County determined to complete the North Wing of the facilities and to suspend work on the East and West Wings of the Courthouse Complex. The County does not expect that any further delay will, in and of itself, result in any substantial interference with the County's right to use or occupy the Property or any portion thereof. Upon completion, these two buildings will house County personnel.

In addition, the Property consists of the following real property and improvements (the "Other Property" as described herein).

Behavioral Health Building. The Behavioral Health Building consists of approximately 23,359 square feet of office space located at 298 Twelfth Street in Marina, California.

Probation Headquarters and Adult Services. The Probation Headquarters and Adult Services complex consists of approximately 28,000 square feet of office space located at 20 East Alisal Street in Salinas, California.

Probation Youth Center and School. The Probation Youth Center and School complex consists of approximately 26,818 square feet of space serving as a youth center and approximately 5,400 square feet of space serving as a school, located at 970 Circle Drive in Salinas, California.

Information Technology Building. The Information Technology Building consists of approximately 31,980 square feet of office space located at 1590 Moffett Street in Salinas, California.

For a description of certain terms of the Lease Agreement see "SECURITY AND SOURCES OF PAYMENT" and APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT."

Term of Lease as to Certain Property

The Lease Agreement provides for a termination of the lease of the parcels designated as Other Property. As provided in the Lease Agreement, so long as no Event of Default shall have occurred and be continuing under the Lease Agreement, upon the filing of a Written Certificate of the County stating that the Courthouse Project has been completed and that all costs of the Courthouse Project have been paid, the term of the Lease Agreement with respect to the Other Property shall terminate, unless such term is sooner terminated in accordance with the Lease Agreement, and, from and after the date of such termination, the description of the Other Property set forth in the Lease Agreement shall be deleted therefrom and the term "Property" shall, for all purposes of the Lease Agreement, be deemed not to include the Other Property. See APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT."

In addition, the Lease Agreement authorizes the County to substitute the Property, in whole or in part, by other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see "SECURITY AND SOURCES OF PAYMENT – Substitution of Site or

Facility" and APPENDIX E – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT."

The County has not granted any security interest in the Property for the benefit of the Certificates, and there is no remedy of foreclosure on the Property upon the occurrence of an Event of Default under the Trust Agreement or the Lease Agreement. For a discussion of remedies upon an Event of Default under the Trust Agreement or the Lease Agreement, see "RISK FACTORS – Limited Recourse on Lease Agreement Default" and "– Limitations on Remedies."

BASE RENTAL PAYMENTS

The Lease Agreement requires that Base Rental Payments be made on or before each Base Rental Deposit Date, which is 15 days prior to each of the following Payment Dates:

Base Rental Payment Schedule

Fiscal Year	Principal	Interest Component	Semi-Annual Base Rental Payment	Fiscal Year Base Rental Payment
April 1, 2016				
October 1, 2016				
April 1, 2017				
October 1, 2017				
April 1, 2018				
October 1, 2018				
April 1, 2019				
October 1, 2019				
April 1, 2020				
October 1, 2020				
April 1, 2021				
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April 1, 2035				
October 1, 2035				
April 1, 2036				
October 1, 2036				
April 1, 20__				
October 1, 20__				
April 1, 20__				

THE COUNTY

Introduction

With an area of approximately 3,300 square miles and 99 miles of coastline, the County borders the Pacific Ocean almost at the midpoint of California. The County is located approximately 100 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, 2015, current population was estimated by the State of California Department of Finance at approximately 425,413.

Approximately 98% of the 3,300 square miles in the County are outside of a municipality, with approximately 25% of the residents living in these unincorporated areas. The City of Salinas is the County's largest city with approximately 154,000 residents as of January 1, 2015 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 world famous for beautiful 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 full 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 two wilderness areas set aside for recreational enjoyment, consisting of 468,538 total acres. The Los Padres National Forest has 304,035 acres and the Ventana Wilderness totals 164,503 acres.

See APPENDIX A – "GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY."

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 City of Salinas is the County seat. The County is a general law county, and is governed by a five-member Board of Supervisors (the "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 Board and administers the day-to-day business of the County. Averaging 4,524 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 two business-type activities: Natividad Medical Center and the Parks and Lake

Resort, which provides an assortment of outdoor and recreational activities associated with, and on the lands surrounding, Lake San Antonio and 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 B – "COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014."

COUNTY FINANCIAL INFORMATION

Budgetary Process

The County is required by State law to adopt a balanced budget by July 1 of each fiscal year. The process begins in January with budget instructions issued to departments by the County Administrative Officer. The various departments develop departmental budget requests by early March. After the County Administrative Officer reviews the various departmental requests, the County Administrative Officer prepares the County recommended budget, which is summarized by functional areas, and submits it to the Board prior to budget hearings in June. The County operates beginning July 1, the start of the fiscal year. The County Auditor-Controller is responsible for monitoring and reporting expenditures within budgeted appropriations. The Board has established a Budget Committee with two members of the Board. This committee meets monthly to review financial and program issues of the County. Semiannually, the Board receives a summary review of the County's operating results as compared to the budget, with an analysis by the County Administrative Officer.

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 status.

Amendments or transfers of appropriations between major objects of expenditure within the same budget unit have been delegated to the County Administrative Office and the Auditor-Controller's Office by the Board in 1986.

Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances 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. Key components in the process include the following:

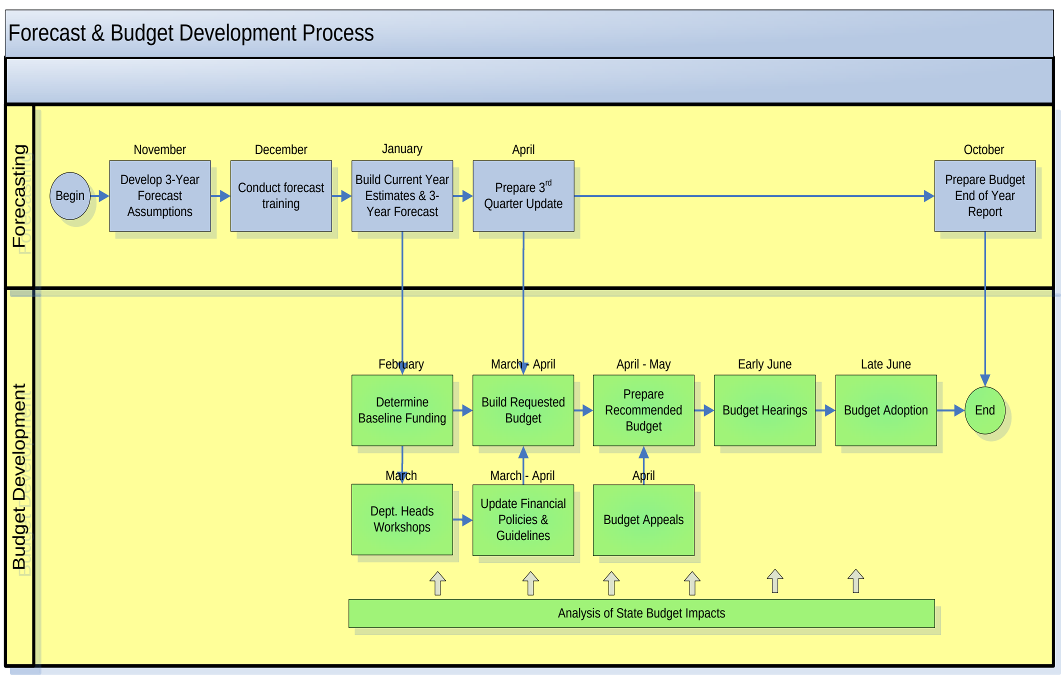
The first quarter report provides an early indication of how closely departmental budgets are being managed within Board-approved operating plans, and highlights fiscal issues that may need closer monitoring and potential corrective action.

Assumptions for year-end estimates and the Three-year Forecast are developed based on a number of factors that impact future year budget funding sources and expenditures, such as negotiated salary and benefit changes, and anticipated changes in various ongoing costs for health insurance, unemployment insurance, workers' compensation, general liability, etc. The Three-year Forecast is pivotal to the overall budget reporting and development process. The forecast provides both a mid-year examination of year-end estimates as well as anticipated future year funding sources and expenditure needs, and more thoroughly identifies potential opportunities or need for corrective adjustments in the current and future year budgets.

Fiscal uncertainties related to State Budget actions may also be quantified at this point; impacts and next steps are identified to additionally assure the County budget remains balanced.

Factors such as increasing costs and anticipated increases or decreases in funding sources, identified through quarterly reports, the Three-year Forecast, analysis of State Budget impacts, and ongoing review of departmental budgets are critical to guiding development of a Recommended Budget that represents a sustainable operating plan and maintains fiscal integrity moving forward.

Details and timeline for the County's annual budget cycle are reflected in the following diagram:



With respect to the current Fiscal Year, County departments began their financial planning in January 2015 with development of detailed financial forecasts. Departments use the financial forecasts to estimate future levels of services that can be afforded with their program revenue and general fund contributions (GFC). General fund contributions are "non-departmental" monies allocated at the discretion of the Board to supplement a department's "program-specific revenues (federal or State allotments, service charges, etc.). For forecasting purposes, departments assume their share of GFC will remain "status quo" for the budget year. The majority of departments rely on GFC at some level to provide services and use their forecasts to plan capacity for funding future years' services.

Financial Statements

The County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014, which has been audited by Gallina, LLP, Certified Public Accountants, Roseville, California, is included in APPENDIX B – "COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014." The County has not requested nor has Gallina 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, 2014.

The financial information presented herein was compiled from the County's Comprehensive Annual Financial Report and from the office of the Auditor-Controller. The financial and statistical information set forth herein does not purport to be a summary of the County's Comprehensive Annual Financial Report. The County's Comprehensive Annual Financial Report should be read in its entirety. The Comprehensive Annual Financial Report of the County for the year ended June 30, 2014, is attached to this Official Statement as APPENDIX B – "COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014." The financial information summarized herein is for information purposes only and does not constitute the complete financial statements of the County.

The financial information presented for June 30, 2015, was compiled from the books and records of the County Auditor-Controller's office. The financial and statistical information for Fiscal Year 2014-15 presented herein is unaudited. The County believes such information is representative of the financial activities of the County for the fiscal year ended June 30, 2015. The County reports that there has been no material adverse change in the County's financial position since June 30, 2014. The County's 2015 Comprehensive Annual Financial Report is expected to be available in January 2016.

With respect to the County's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013 and 2014, the Government Finance Officers Association of the United States and Canada ("GFOA") has awarded the County with its Certificate of Achievement for Excellence in Financial Reporting. 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 GFOA is a nonprofit professional association serving approximately 16,000 government finance professionals.

Table 1
County of Monterey
General Fund Balance Sheet
Years Ended June 30, 2012, 2013 and 2014[1]

	2012	2013	2014
ASSETS			
Cash and investments:			
Held in County Treasury	$113,788,837	$119,919,869	$129,267,529
Held with Trustee	--	--	--
Imprest cash	23,550	22,626	23,572
Restricted cash	2,075,883	2,078,434	2,162,161
Other bank accounts	--	--	635,950
Receivables	50,376,383	45,211,824	51,381,058
Due from other funds	580,000	580,667	--
Inventories	195,828	252,782	251,198
Property held for resale	--	--	--
Prepaid items and other assets	--	9,065	--
Notes receivable	--	--	--
Total Assets	$167,040,481	$168,075,267	$183,721,468
LIABILITIES			
Vouchers and accounts payable	$ 10,778,036	$ 9,121,689	$ 11,697,962
Accrued salaries and benefits	12,120,597	11,908,019	14,214,544
Deposits from others	5,990,332	6,658,211	6,942,047
Deferred/unearned revenues	46,211,445	18,568,316	15,691,772
Total Liabilities	$ 75,100,410	$ 46,256,235	$ 48,546,325
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	--	16,967,239	17,269,685
FUND BALANCES			
Nonspendable	$ 195,828	$ 261,847	$ 251,198
Restricted	--	448,314	534,301
Committed	52,292,695	60,292,695	60,292,695
Assigned	37,065,415	38,328,924	39,275,328
Unassigned	2,386,133	5,520,013	17,551,936
Total Fund Balance	$ 91,940,071	$104,851,793	$117,905,458
Total Liabilities and Fund Balance	**$167,040,481**	**$168,075,267**	**$183,721,468**

(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.
Source: County of Monterey Audited Financial Reports.

Table 2
County of Monterey
General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance
Years Ended June 30, 2012, 2013 and 2014[(1)]

	2011-12	2012-13	2013-14
Revenues:			
Taxes	$143,370,485	$148,497,061	$155,843,546
Licenses, permits and franchises	13,585,887	16,473,883	18,359,999
Fines, forfeitures and penalties	8,873,773	8,396,400	7,427,744
Revenue from use of money and property	2,678,849	3,442,461	3,502,579
Aid from other governmental agencies	269,422,428	194,085,133	198,090,903
Charges for services	59,275,567	52,098,093	55,475,155
Tobacco settlement and other revenue	5,685,539	9,850,959	10,681,134
Total Revenues	$502,892,528	$432,843,990	$449,381,060
Expenditures:			
Current:			
General government	$ 43,282,818	$ 45,505,231	$ 48,764,714
Public safety and protection	187,022,440	184,769,982	199,854,904
Public ways and facilities	--	--	--
Health and sanitation	121,835,061	58,779,143	61,247,488
Public assistance	148,674,747	153,364,552	158,659,347
Education	529,549	523,130	500,089
Recreation and cultural services	4,783,388	4,155,293	4,801,432
Debt service:			
Principal	--	343,824	--
Interest and debt service costs	603,685	488,251	1,000
Capital outlay	--	--	--
Total Expenditures	$506,731,688	$447,929,406	$473,828,974
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,839,160)	(15,085,416)	(24,447,914)
Other Financing Sources (Uses):			
Transfers in	$ 23,386,903	$ 56,083,906	$ 72,656,669
Transfers out	(13,158,425)	(28,160,622)	(34,321,244)
Sale of capital assets	211,930	73,854	44,004
Total Other Financing Sources (Uses)	$ 10,440,408	$ 27,997,138	$ 38,379,429
Net Changes in Fund Balance	$ 6,601,248	$ 12,911,722	$ 13,931,515
Fund Balance, Beginning of Year, as restated	85,338,823	91,940,071	103,973,943
Fund Balance, End of Year	$ 91,940,071	$104,851,793	$117,905,458

(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.
Source: County of Monterey Audited Financial Reports.

General Fund Budgets

Fiscal Year 2014-15 Budget. The budget for Fiscal Year 2014-15 was adopted by the County on June 23, 2014. The Fiscal Year 2013-14 Three-year Forecast presented in February 2014 revealed an expanding gap continuing through at least the forecast period.

In an effort to correct the imbalance, departments responded to requests to prioritize County programs, conducting intensive review and analysis of their programs, revenues and overall organization, and presenting methods for reducing costs while protecting, to the greatest extent possible, core services and filled positions. At its adoption in June 2014, the Fiscal Year 2014-15 Budget reflected important progress in re-calibrating the County's operating plans to maintain structural balance.

The Fiscal Year 2014-15 Adopted Budget included an expenditures increase of $31.9 million, 6.5% from the prior year. County staffing was increased by 129 full-time equivalent (FTE) positions to 4,639.1. The following are highlights of the Fiscal Year 2014-15 Budget and year end projections:

- The general fund outperformed expectations by $13.9 million in the prior year. This improvement can be attributed to a County culture of conservative fiscal management, witnessed by the prudent financial policies adopted by the Board and continuing efforts of department heads to tightly manage their budgets and adjust operations to match revenue flows.

- The general fund is expected to outperform expectations by $2.1 million in the current year. Departments expect to end the current year with expenditures $11.8 million below budget as a result of their continued expenditure containment efforts. The estimated expenditure savings are enough to offset lower-than-expected revenues and still end the current year with an unassigned fund balance of $2.1 million, even after making important one-time investments.

- Improvements in the general fund created opportunities for investments. The County's positive performance in recent years allowed for strategic one-time investments in the current year. The largest of these investments was the $13.0 million cash purchase of the Schilling Place facilities. This purchase will provide critical space to run County operations and reduce County lease payments. Using one-time fund balance to purchase the new building also allows the County to avoid debt financing.

- Since the recession, the Board has strengthened financial policies to restore balance between ongoing revenues and expenditures, ending the practice of using one-time gains in fund balance to finance ongoing operations. Under these policies, the County has invested year-end surpluses into shoring up its strategic reserve and other key investments. These investments have added to the County's ending fund balances each year, growing from $82.7 million in 2009-10 to $117.9 million at the end of Fiscal Year 2013-14. These strategic investments help prepare the County to weather the next recession and help pave the way for key infrastructure projects.

Table 3
County of Monterey
General Fund Budget Unaudited [(1)]
For The Year Ended June 30, 2014

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budge Positive (Negative)
Revenues:				
Taxes, VLF and franchises	$ 150,064,348	$ 150,064,438	$ 155,843,546	$ 5,779,198
Licenses and permits	15,637,698	15,960,986	18,359,999	2,399,013
Fines, forfeitures & penalties	9,061,031	9,111,031	7,427,744	(1,683,287)
Revenue from money & property	1,330,989	1,331,289	3,502,579	2,171,290
Aid from governmental agencies	203,205,160	207,310,490	198,090,903	(9,219,587)
Charges for services	67,389,955	68,334,358	55,475,155	(12,859,203)
Miscellaneous revenues	5,412,181	5,924,181	10,681,134	4,756,953
Total Revenues	452,101,362	458,036,683	449,381,060	(8,655,623)
Expenditures:				
Current:				
General Government	63,476,013	62,932,615	48,764,714	14,167,901
Public safety	200,500,211	204,504,107	199,854,904	4,649,203
Health & sanitation	67,745,286	67,795,286	61,247,488	6,547,798
Public assistance	167,684,590	169,922,737	158,659,347	11,263,390
Education,	516,156	516,156	500,089	16,067
Recreation & cultural services	4,455,160	4,806,160	4,801,432	4,728
Debt Service				
Interest and Debt Service Costs	935,000	935,000	1,000	934,000
Total Expenditures	505,312,416	511,412,061	473.828.974	37.583.087
Excess (deficiency) of revenues over (under) expenditures	(53,211,054)	(53,375,378)	(24,447,914)	28,927,464
Other financing sources (uses):				
Transfers in	71,128,821	71,128,820	72,656,669	1,527,849
Transfers out	(23,685,160)	(27,330,008)	(34,321,244)	(6,991,236)
Premium/Discount on debt issuance	(500,000)	(500,000)	-	500,000
Sale of capital assets	53,362	53,362	44,004	(9,358)
Total other financing sources (uses)	46,997,022	43,352,174	38,379,429	(4,972,745)
Net change in fund balance	(6,214,032)	(10,023,204)	13,931,515	23,954,719
Fund balance, beginning	103,973,943	103,973,943	103,973,943	-
Fund balance, ending	97,759,911	93,950,739	103,973,943	-

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(1) Unaudited.
Source: County of Monterey Auditor-Controller.

Set forth in following table is a summary statement of the final General Fund budgets for Fiscal Years 2011-12, 2012-13, 2013-14, and 2014-15.

Table 4
County of Monterey
General Fund Budgets
Fiscal Years 2011-12, 2012-13, 2013-14, and 2014-15 [(1)]

	2011-12 Final Budget	2012-13 Final Budget	2013-14 Final Budget	2014-15 Final Budget
Revenues:				
Taxes	$135,193,270	$142,776,325	$150,064,348	
Licenses, permits and franchises	16,234,949	16,875,330	15,960,986	
Fines, forfeitures and penalties	9,254,510	8,738,176	9,111,031	
Revenue from use of money and property	2,045,870	1,221,247	1,331,289	
Aid from other governmental agencies	296,530,630	203,828,493	207,310,490	
Charges for services	65,752,166	65,341,739	68,334,358	
Tobacco settlement and miscellaneous	5,813,526	4,786,421	5,924,181	
Total Revenues	$530,824,921	$443,567,731	$458,036,683	
Expenditures:				
Current:				
General government	$ 59,813,135	$ 57,895,725	$ 62,932,615	
Public safety and protection	192,938,166	191,717,515	204,504,107	
Health and sanitation	119,889,917	63,210,217	67,795,286	
Public assistance	153,832,820	159,258,639	169,922,737	
Education	589,770	529,038	516,156	
Recreation and cultural services	4,806,930	4,640,197	4,806,160	
Debt service				
Interest and debt service costs	135,000	935,000	935,000	
Total Expenditures	$532,005,738	$478,186,331	$511,412,061	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,180,817)	(34,618,600)	(53,375,378)	
Other Financing Sources (Uses):				
Transfers in	$ 7,575,145	$ 52,244,528	$ 71,128,820	
Transfers out	(17,084,800)	(26,213,428)	(27,330,008)	
Premium/(discount) on debt issued	--	500,000	(500,000)	
Sale of capital assets	211,930	--	53,362	
Total Other Financing Sources (Uses)	$ (9,297,725)	$ 26,531,100	$ 43,352,174	
Net change in budgetary fund balance	(10,478,542)	(8,087,500)	(10,023,204)	
Budgetary fund balance, beginning	85,338,823	91,940,071	103,973,943	
Budgetary fund balance, ending	$ 74,860,281	$ 83,852,571	$ 93,950,739	

(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.
(2) Unaudited; subject to adjustment and revision.
Source: County of Monterey Audited Financial Reports.

Fiscal Year 2015-16 Budget Development. During the April 20, 2015 budget workshop with the Board, the County Administrative Office provided perspective on the fiscal context in which the budget is being built and offered information on requested augmentations. The County Administrative Office presented the forecast to the Board at its March 10, 2015 meeting. In the forecast, the County Administrative Office projected to end the current year with another operating surplus (the fourth consecutive annual surplus) while cautioning policy makers that hypothetical deficits could emerge beginning next fiscal year without corrective actions.

As shown below, baseline requested expenditures totaled $572.1 million, representing growth of $21.9 million over the current year adopted budget. The baseline budget also included $5.7 million for operational contingencies, in accordance with the County's policy to set aside a portion of the budget equal to one percent of estimated general fund revenue for critical, unanticipated needs. Departments were allowed to increase baseline expenditures as long as they could substantiate offsetting growth in their program revenue.

For many departments, expected increases in operating costs (pay raises, increases in CalPERS contributions, etc.) have consumed growth in their program revenues. When necessary to balance their baseline budgets to expected revenue, departments cut discretionary operating expenditures and positions. In total, departments cut an estimated $4.9 million in discretionary expenditures and unfunded 63.5 vacancies for an additional $5.0 million in savings. Some departments had already exhausted opportunities for cost savings from reductions made in prior budget cycles or because they do not have vacant positions. These departments cut a combined total of 65 filled positions as a last resort to balance their budgets and submitted augmentation requests for additional GFC to restore these positions.

The County Administrative Office received augmentation requests for additional GFCs above baseline levels totaling $43.5 million, supported by an estimated $6.3 million in program revenue and requested increases in GFC totaling $37.2 million. These augmentations combined with requested general fund baseline budgets and the contingency appropriation totaled $621.3 million, exceeding available financing by $24.4 million.

By law, the County must adopt a balanced budget that aligns expenditures to available financing. To balance the budget, the County Administrative Office proposes more modest spending of $601.5 million, financed by $583.6 million in revenue and $17.9 million in use of fund balance for capital projects and other one-time planned needs. Balancing this budget required difficult choices; growth in resources were targeted to restoring funding for most at-risk filled positions, with the balance supporting the most critical requests. Nevertheless, many requests for well-substantiated needs remain unfunded due to the County's ongoing fiscal limitations, including the loss of six filled positions at the Lakes Resorts and a countywide reduction of 44.5 vacancies.

Recommended Budget – All Funds. Recommended appropriations for all funds, departments and programs next fiscal year, including the general fund, total $1.2 billion, supporting a workforce of 5,034 authorized positions and providing needed funding for 24 general fund departments, the County's hospital, and the Monterey County Free Libraries. Significant budget changes since adoption of the 2014-15 budget include:

- *Increased labor costs*. Costs to support the County's workforce grow $38.7 million under the recommended budget. This growth pays for wage increases authorized by bargaining agreements, increases in CalPERS retirement contributions and health insurance premiums, and the addition of 194 positions to the County payroll since adoption of the current year budget. The largest increase in staffing is in the Health Department, with a recommended increase of 110.2 positions. The Health Department has been expanding capacity in its behavioral health program and health clinics to serve the increasing number of clients enrolled into Medi-Cal managed care under the Affordable Care Act (ACA) and the newly insured under Covered California. In addition, Natividad Medical Center added 76.3 positions to meet expected demand in its new Level II trauma center and its expanding family practice residency program. These two departments alone represent 96% of the year-over-year increase in positions and nearly two-thirds of the $38.7 million growth in salary and benefit expenditures.

- *Expansion of health clinics and behavioral services*. The recommended Health Department budget includes overall growth of $56.2 million. Much of this growth ($21.6

million) reflects recent accounting changes in the way State-county realignment monies are tracked. To ensure transparency in reporting, these monies are deposited in special realignment funds and then transferred out to general fund operating departments as reimbursement for actual incurred costs. The monies are counted as expenditures (operating transfers out) in the special funds and again as expenditures in the general fund departments which provide the staffing and operate the programs. The remaining growth ($34.6 million) in Health Department expenditures pays for increased salary and benefit costs discussed earlier and other expenditures supporting the expansion of the health clinics and behavioral health services.

- *Cost pressures for social services*. Recommended appropriations for the Department of Social Services increase $19.9 million over the current year adopted budget. As is the case with the Health Department, much of this growth ($15.3 million) reflects State-required changes in accounting for realignment monies. The balance ($4.6 million) pays for an additional 12 staff added in the current year, mostly for support of the In-Home Supportive Services Program, and to cover general cost pressures related to salary increases, community service contracts, and information technology infrastructure replacement. These cost increases are supported entirely by federal and State revenue, with no increase in GFCs.

- *Infrastructure replacement*. The non-departmental portion of the County Administrative Office budget provides operating transfers for next year's anticipated costs to expand the County's jail and build the new juvenile hall. The recommended budget provides $3.2 million for the jail addition and $5.8 million for the juvenile hall. The County's share of cost for these projects is financed by reserves created in prior years. The County Administrative Office's recommended budget also includes an additional $2.9 million for the Vehicle Asset Management Program, with most of the increase paying for first year costs of a three-year plan to replace the Sheriff's Office aging fleet of patrol vehicles. In addition, the recommended budget provides $1.3 million for first year debt service to finance tenant improvements to the 1441 Schilling Place and Government Center buildings, Courthouse Complex renovation, and removal of the Government Center modular buildings.

- *Countywide cost pressures*. Most of the remaining increase in recommended appropriations is to help departments cover increased operating costs, including higher charges from service departments for general liability insurance, information technology equipment replacement, and the upgrade of the County's enterprise resource planning (ERP) system. These and other operating cost pressures are covered in more detail later.

Recommended Budget – General Fund. The general fund supports most County services and basic governmental functions including public safety and criminal justice, health, social services, land use, recreation, environment, administration and finance. The general fund is the County's largest fund. With recommended appropriations totaling $601.5 million, the general fund budget represents half of total 2015-16 recommended appropriations. Natividad Medical Center is the County's second largest fund, with appropriations totaling $219.3 million, or about one-fifth of the County's budget. Recommended appropriations total $601.5 million, an increase of $47.4 million over the current year adopted budget. Highlights of the recommended budget for the general fund include:

- Utilizes $17.9 million in fund balance for infrastructure projects and other planned one-time needs. The recommended budget uses special purpose fund balance reserves to pay for planned, one-time expenditures, including next year's costs related to construction of the jail housing addition and new juvenile hall, appropriation for contingencies, and vehicle replacement under the County's Vehicle Asset Management Program. These expenditures are discussed later in this section.

- Utilizes $17.9 million in fund balance for infrastructure projects and other planned one-time needs. The recommended budget uses special purpose fund balance reserves to pay for planned, one-time expenditures, including next year's costs related to construction of the jail housing addition and new juvenile hall, appropriation for contingencies, and vehicle replacement under the County's Vehicle Asset Management Program.

- Estimated revenues increase $38.2 million. Non-program revenue, the source of discretionary GFCs allocated by the Board, is estimated to grow $18.6 million as assessed home values drive property tax revenues higher. The Health Department also expects its general fund revenues to grow, mostly due to increased patient fees and governmental revenue for services provided at the County's health clinics. In addition, the Department of Social Services anticipates it will claim an additional $4.8 million in reimbursements from the federal and State governments to cover increases in its operating expenditures.

- Labor costs will increase an estimated $20.7 million. General fund departments added 46.6 positions since adoption of the current year budget, increasing costs to the general fund by an estimated $4.2 million. Most of these positions increases are in the Health Department and Social Services and can be supported by increases in program revenues. Pay raises authorized by memorandum of understanding (MOU) will add an additional $7.5 million. Other sources of increased labor costs include higher CalPERS contributions, increased health insurance premiums, and scheduled step advances.

- Provides funding for the jail expansion and the new juvenile hall. The County has embarked on critical infrastructure projects to build a new 120-bed juvenile hall at a cost of approximately $52.8 million and expand the County jail at an estimated cost of $88.9 million. The recommended budget appropriates $5.8 million next fiscal for the juvenile hall and $3.2 million for the jail expansion to cover the County's share of construction costs for these two projects for Fiscal Year 2015-16.

- Provides for expansion of County health clinics. As a result of the Affordable Care Act, an additional 40,679 residents were enrolled into Medi-Cal Managed Care. This, coupled with the newly insured through the Covered California, has increased demand for access to primary care services in County clinics. New clinic construction and expansion is underway to increase patient access to primary care and emergency department diversion services. In addition, the Health Department's clinic services and behavioral health programs are implementing a coordinated model to serve patients with mild to moderate mental health diagnoses within the clinics setting. The budget includes recommended increases totaling $5.7 million for County health clinics to meet the growing demand for its services.

- Includes $2.9 million to replace County vehicles. The recommended budget provides $2.9 million to purchase County vehicles under the Vehicle Asset Management Program. These funds will be used to replace patrol vehicles for Fiscal Year 2015-16 as part of a three-year plan to replace high-mileage Sheriff's Office vehicles.

- Includes $5.7 million for operational contingencies. In compliance with the County's financial policies, the budget appropriates $5.7 million (1% of estimated general fund revenue) for critical, unanticipated needs that emerge for Fiscal Year 2015-16 and cannot be funded within departments' appropriated resources. The $5.7 million appropriation represents an increase of $1.8 million over the current year adopted budget.

- Presidential primary election. The recommended budget includes $1.2 million to cover election costs associated with the June 2016 presidential primary election.

- General Plan implementation. The proposed budget sets aside $1.0 million to cover potential professional services costs associated with general plan implementation.

- Provides increased Proposition 172 contributions to fire protection service providers. Contributions to these providers increase $106,375 in accordance with established formulas set by County policy.

- Provides increased contributions to the economic development agencies. Under current formulas, the County's contributions of transient occupancy tax revenue to the Monterey County Convention and Visitors' Bureau (MCCVB), Arts Council, and Film Commission will increase $116,091 in for Fiscal Year 2015-16.

General Fund Revenues. Estimated general fund revenues total $583.6 million for 2015-16. Revenue from federal and State sources are estimated at $206.6 million (35% of total revenue), essentially unchanged from the current year. The County's social services and health programs are the largest recipients of these revenues and rely on these monies as the primary means of supporting their programs. Revenue from Taxes total an estimated $165.9 million, an increase of $10.5 million over the current year adopted budget, and represent the bulk of the County's discretionary monies, allocated to departments in the form of general fund contributions. Other sources of funding include: charges for services ($73.6 million); other revenues ($108.9 million), which include operating transfers received from the three realignment funds mentioned earlier; revenue from license, permit, and franchise fees ($19.3 million); and fines, forfeitures, and penalties ($9.2 million).

Program and Non-Program Revenues. General fund revenues are categorized as "program" and "non-program" based on the source of and purpose for the funding. Program revenues, primarily from State and federal sources, are typically provided for a statutory purpose and must by law be spent on designated activities. The recommended budget includes estimated program revenues of $390.8 million, about two-thirds of total revenue.

Non-program revenues total an estimated $192.8 million (one-third of total revenue), distributed to departments in the form of GFCs. Non-program revenues include property taxes, transient occupancy tax (TOT), sales and use tax, vehicle license fees (VLF), and a number of smaller revenue sources that support local government. As discretionary revenue, non-program revenues provide the County with some level of flexibility to address local needs and priorities. Monterey County historically uses its discretionary revenues to support public safety, County finance and other administrative functions, meet maintenance of effort requirements, and to provide matching funds as a condition for receiving federal and State assistance.

The estimated $192.8 million in non-program revenue represents an increase of $18.6 million compared to the current year budget. Driving the increased revenue is higher property tax revenues, increased transient occupancy tax (TOT) monies, and more vehicle license fee revenue. Most of the increase in vehicle license fee revenue is redirected to public health programs under AB 85 (Chapter 24, Statutes of 2013). After accounting for this redirection, non-program revenues available for allocation by the Board will grow a more modest $15.0 million over the current year adopted budget.

Sources of non-program revenue are displayed in the chart to the right. Property tax revenue comprises the bulk of non-program revenue, totaling an estimated $137.1 million (71%) for Fiscal Year 2015-16. Transient occupancy tax, often referred to as a hotel or room tax, is estimated at $20.9 million, while sales and use tax revenue is estimated at $7.7 million. Other significant sources of non-program revenue include vehicle license fees, tobacco settlement monies, and franchise fees.

Estimated changes in major sources of non-program revenues compared to the prior year are summarized below:

- *Property Tax Revenue*. Property Tax Revenue totals from property taxes sustained steep reductions through the economic downturn and its aftermath, declining $15.6 million from peak to trough. This decline was a defining factor behind four years of budget reductions following the onset of the recession. Since that time, assessed values have recovered, with the County's Assessor expecting a 5-6% overall increase in assessed values for secured properties. For forecasting purposes, the County Administrative Office assumes the lower end of the estimate range (5%), which would yield a $9.6 million increase for Fiscal Year 2015-16, exceeding the $131.4 million mark set prior to the recession. Provided below is historical data on assessed values of secured properties in Monterey County.

- *Fund Balance*. Beyond any growth in annual revenue, the County also has funding held in reserve. The County established these reserves in prior budgets and by redirecting one-time unplanned operating surpluses to meet specific future purposes. By far the largest reserve is the Strategic Reserve of $60.3 million for responding to natural disasters or other local emergencies. The $60.3 million includes $14.2 million for Natividad Medical Center, with the balance set aside for general fund emergencies. There are also reserves to cover the County's share of costs for the new juvenile hall and the jail expansion. Other reserves include $7.6 million for the vehicle asset management program, $4.6 million for large, unplanned payouts of employee leave benefits upon separation from County service, and $5.6 million for operational contingencies. The recommended budget uses $5.8 million of the juvenile hall reserve and $3.2 million of the jail expansion reserve to fund next year's construction costs for these projects. The recommended budget also uses all of the estimated available $5.6 million in the contingencies reserve to fund next year's appropriation for operational contingencies.

- *Augmentation Requests*. To avoid position reductions and mitigate potential operational impacts, departments submitted augmentation requests totaling $43.5 million in appropriations (52% more than the last budget cycle), supported by $6.3 million in program revenue and $37.2 million in requested general fund contributions. These requests seek to restore all filled positions and most of the vacancies. Departments also submitted requests to add 166.3 new positions and fund various infrastructure needs, particularly in the County park system and within the Resource Management Agency. Other major requests included funding to operate the new Schilling Place complex, cover costs related to the 2016 presidential primary election, support increased costs for inmate medical, and increase funding for the County's alternate defender office.

Growth in discretionary funding to support department augmentations totals $13.1 million, which equals the $15.0 million growth in non-program revenue less formulaic commitments to the road fund and economic development agencies. The County Administrative Office recommends using the $13.1 million in discretionary revenue growth combined with $6.4 million in additional program revenues to fund increases in appropriations totaling $19.5 million.

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 guidelines permit the 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. Strategic reserve equal to 10 percent of current general fund revenues

4. One-time investments or assignments

Strategic Reserve Policy

The County has established a strategic reserve reported as a separate committed fund balance constraint. Beginning in Fiscal Year 2005-06, General Fund reserves were to be funded over eight years to equal ten percent of General Fund budgeted revenues. The reserve was established for use in legal judgment settlements against the County, economic downturns, natural disasters and for one-time State budget reductions that could not be addressed through the annual appropriations for contingencies. The target funding level is equal to ten percent of the total general fund final budgeted estimated revenues. Funding for the strategic reserve is appropriated annually by the 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, for natural disasters as determined by the County Administrative Officer or the Board, and for one-term only State budget reductions that could not be addressed through the annual appropriations for contingencies in the general fund.

The County has also established a strategic reserve reported as a separate committed fund balance constraint as the Natividad Medical Center Strategic Reserve. See "County Enterprise Funds - Natividad Medical Center" below.

After suspending contributions to the strategic reserve for Fiscal Years 2008-09 and 2009-10 due to budgetary constraints, the Board resumed the contribution in Fiscal Year 2010-11 by creating a sub-commitment. The County's strategic reserve policy ordinance was amended to allow establishing a sub-commitment within the General Fund strategic reserve commitment for Natividad Medical Center (NMC), an Enterprise Fund of the County. A transfer of $14.2 million was made from NMC's unrestricted Net Assets to the NMC's sub-commitment under the strategic reserve commitment. The use of this sub-commitment is limited only for the purposes of NMC as determined by the Board. With an accumulated total of $52.3 million in the reserve commitment, the Board opted not to contribute to it in

Fiscal Year 2011-12. In Fiscal Year 2012-13, the Board added a General Fund contribution of $8 million increasing the balance in the reserve commitment to a total of $60 million.

State of California Budgets

State Funding of Counties. 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.

Currently, approximately 35% of the County's 2014-15 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 State has diverted revenues such as cigarette taxes from counties to the State. The federal government provides approximately 22% of the County's 2014-15 General Fund Budget. The human services departments receive substantial funds for assistance payments and social services programs.

The following information concerning the State of California's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the State budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriter, and the County and the Underwriter take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Proposition 30. The passage of the Governor's November Tax Initiative ("Proposition 30") placed on the November, 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and in effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The LAO has estimated that, as a result of Proposition 30, additional state tax revenues of about $6 billion annually from 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in fiscal years 2017–18 and 2018–19. Proposition 30 also places into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

California Public Employees' Pension Reform Act. On September 12, 2012, Governor Brown signed Assembly Bill 340, creating the Public Employees' Pension Reform Act ("PEPRA"). Among other things, PEPRA creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. The new tier has a single general member benefit formula and three safety member benefit formulas that must be implemented by all public agency employers unless the formula in existence on December 31, 2012 has both a lower normal cost and a lower benefit factor at normal retirement age. PEPRA requires that all new employees/members, hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. The normal cost contribution is the contribution set by the retirement system's actuary to cover the cost of a current year of service. The County believes that the provisions of PEPRA will help to control its pension benefit liabilities in the future.

Proposed Fiscal Year 2015-16 Budget. The Governor's proposed State budget for Fiscal Year 2015-16 (the "Proposed 2015-16 Budget") was released on January 9, 2015. The Proposed 2015-16 Budget assumes total State General Fund revenues and transfers of $108 billion and authorizes total expenditures of $111.7 billion for Fiscal Year 2014-15. The LAO's Overview of the Proposed 2015-16 Budget, released on January 13, 2015 (the "2015-16 LAO Overview"), noted that the State is projected to end Fiscal Year 2014-15 with a general fund surplus of $2.1 billion, comprised of a balance of $452 million in the State's traditional budget reserve and a balance of $1.6 billion in the Budget Stabilization Account. For Fiscal Year 2015-16, the Proposed 2015-16 Budget assumes total State General Fund revenues of $113.4 billion and authorizes expenditures of $113.3 billion. In addition, the Proposed 2015-16 Budget revises the Fiscal Year 2013-14 minimum funding guarantee upward to $58.7 billion (an increase of $371 million from the estimate included in the 2014-15 State Budget) and for Fiscal Year 2014-15, revises the minimum funding guarantee to $63.2 billion (approximately $2.3 billion higher than that included in the 2014-15 State Budget). In addition, for Fiscal Year 2015-16, the Proposed 2015-16 Budget sets the minimum funding guarantee at $65.7 billion, including $47 billion from the State General Fund, which reflects an increase of $2.6 billion from the revised level for Fiscal Year 2014-15.

The 2015-16 LAO Overview also notes that, despite the increase in the minimum guarantee, the State General Fund share is only $371 million with a projected growth in available local property tax collections accounting for the balance, and that for purposes of Proposition 98, Fiscal Year 2015-16 is a "Test 2" year, with the minimum guarantee driven primarily by an increase in per-capita personal income. The LAO noted the following:

- *Higher Revenue Projections and Spending Increases*. The administration projects that General Fund tax revenues will end 2014–15 more than $2 billion above its projections in last June's state budget package. Further, the administration projects that the General Fund's three major taxes collectively will increase by over $5.6 billion in 2015–16, to a level that is more than $1 billion above administration estimates from last June for the 2015–16 fiscal year. These higher revenue projections result in a multibillion–dollar influx of new funds for schools and community colleges under the Proposition 98 minimum funding guarantee. The administration's budget estimates also assume that General Fund spending for Medi–Cal, the state's primary health care program for low–income people, is up by hundreds of millions of dollars in 2014–15, compared to last year's budget assumptions, and by about $800 million above that level in 2015–16. The budget identifies other increased health and human services costs and potential budgetary risks.

- *Governor's Priorities*. In the near term, the Governor's reluctance to propose significant new program commitments outside of Proposition 98 could help avoid a return to the boom and bust budgeting of the past. His proposal to pay off state government's retiree health liabilities over the next few decades would, if fully funded, address the last of state government's large unaddressed liabilities. Over the long run, eliminating those liabilities would significantly lower state costs, affording future generations more flexibility in public budgeting. The Governor, however, proposes no additional funds to implement the plan. Proposition 2 provides a stream of dedicated funding for debt payments that is available to address these retiree health liabilities.

- *Higher Revenues Likely for 2014–15*. Recent strong economic data and a surge in state income tax collections in December led the LAO to conclude that the state likely will collect more tax revenue in 2014–15 than the administration now estimates. Barring a sustained stock market drop, an additional 2014–15 revenue gain of $1 billion to $2 billion seems likely. Even bigger gains of a few billion dollars more are possible. Additional revenues in 2014–15 will go largely or entirely to schools and community colleges and could result in a few billion dollars of higher ongoing state payments to schools. Whether tax revenues grow further, stagnate, or, in the worst case, decline in 2015–16 will depend in large part on trends in volatile capital gains and business income. History tells us that the current strength of state revenues, bolstered by a soaring stock market last year, may not continue for long. As the Governor argues, the budget remains vulnerable to downturns that may re–emerge with little warning. Building budget reserves and paying down state debts remain important goals.

Significant proposals or adjustments set forth in the Proposed 2015-16 Budget affecting California public agencies include the following:

- *Law Enforcement*. The Proposed 2015-16 Budget proposes to continue $40 million General Fund allocation to "front line" law enforcement activities. The Board of State and Community Corrections allocates funds to individual cities acting as the fiduciary agent within each county receiving the funds.

- *Transportation*. The Proposed 2015-16 Budget includes total funding of $15.8 billion ($84 million General Fund and $15.7 billion other funds) for all programs administered within the State Transportation Agency. In addition, the shared revenues budget allocates over $1.4 billion in fuel excise tax to cities and counties for local streets and roads.

- *Elimination of Redevelopment Agencies*. The Proposed 2015-16 Budget anticipates that in 2014‑15 and 2015‑16 combined, cities will receive an additional $580 million, counties $660 million, and special districts $200 million.

- *Property Taxes*. The Proposed 2015-16 Budget anticipates ongoing property tax revenues of more than $900 million annually to be distributed to cities, counties, and special districts that can be used by local governments to fund police, fire, and other critical public services.

- *State Mandate Reimbursements*. The Proposed 2015-16 Budget continues the suspension of most mandates not related to law enforcement or property taxes. After satisfying the Proposition 98 guarantee, additional revenues, up to $800 million, are proposed to pay down the remainder of the State's pre‑2004 mandate debt. The Proposed 2015-16 Budget estimates that the trigger mechanism will result in a $533 million payment toward this mandate debt. These funds will provide counties, cities, and special districts with general purpose revenue.

- *Deferred Maintenance*. The Proposed 2015-16 Budget includes $478 million ($125 million General Fund) for critical deferred maintenance at universities, community colleges and in State parks, prisons, State hospitals and other State facilities.

- *Education*. The Proposed 2015-16 Budget provides over $1.2 billion in funding to support a coordinated framework for adult education, career technical education, workforce investment, and apprenticeships intended to provide training and education to workers in California so they can develop the skills they need for self-sufficiency and greater personal advancement.

May Revision. On May 18, 2015, the Governor released his May Revision to the Proposed 2015-16 Budget. Overall, the May Revision reflects a $6.7 billion increase in General Fund revenues compared to the January Budget. The Constitution, reflecting the voters' priorities, directs the use of these revenues as follows:

- Proposition 98 increases General Fund spending by $5.5 billion for K‑12 schools and community colleges.

- Proposition 2 requires that an additional $633 million be saved in the Rainy Day Fund and an additional $633 million be used to pay down debts and liabilities.

Proposition 2 was designed to help the state save when times are good. Higher revenues from capital gains will both be saved and used to pay down debts. By the end of the year, the state's Rainy Day Fund will have a total balance of $3.5 billion.

The May Revision commits new spending in only three additional areas:

- Creating the first‑ever California Earned Income Tax Credit to assist the state's lowest‑income workers. The credit will provide $380 million in benefits to 2 million Californians. This credit — combined with increased funding for education and health care reform, together with an increased minimum wage — will provide increased state support for California's poorest residents.

- Holding tuition flat at the state's universities for California undergraduate students for two more years by providing increased ongoing funding to California State University and temporary assistance to the University of California to pay down its unfunded pension liability.

- Providing health care and other safety net services to currently undocumented immigrants who gain Permanent Residence Under Color of Law status under the President's executive actions.

Further, the May Revision notes near-term application of funds as the State addresses the budgetary debts accumulated over the past decade and a half. In the next three months alone, the state will:

- Repay the remaining $1 billion in deferrals to schools and community colleges (which once peaked at $10 billion).

- Make the last payment on the $15 billion in Economic Recovery Bonds that were used to cover budget deficits from as far back as 2002.

- Repay local governments the final mandate reimbursements for activities completed in 2004 or earlier (totaling $765 million).

The elimination of all of these budgetary debts and a healthier Rainy Day Fund balance is proposed to give the state fiscal capacity when the next recession begins. But these steps alone will not ensure an enduring balanced budget. Already, the commitments that the state made in the past two years are straining the state's finances. Under a projection of current policies, the budget would be upside down by more than $2 billion by 2018‑19.

For the last several years, the Census Bureau has reported that about 16 percent of California residents are living in poverty — slightly above the national average of 14.9 percent. The Census Bureau's supplemental measure of poverty, which considers broader measures of income and the cost of living, reflects a poverty rate of 23.4 percent (a three‑year average). While the state's economic conditions have improved since the Governor's Budget, much of the gains continue to be made by the state's wealthiest residents.

California has an extensive safety net for its neediest residents who live in poverty, and the state has maintained those core benefits despite the recession. In the past two years, the recovering economy has allowed the state to take even greater steps to assist the state's neediest residents. These efforts are assisting millions of Californians.

- The implementation of health care reform has extended coverage under Medi‑Cal to an additional four million Californians in just three years and added new services such as treatment for substance abuse and mental health. The expansion has already increased General Fund costs by approximately more than $1 billion annually and that amount will rise to more than $2 billion by 2017‑18 as the federal government begins to reduce its share of costs beginning in 2017. Under the May Revision, coverage will also be provided to immigrants who gain Permanent Residence Under Color of Law status under the President's executive actions. For Medi‑Cal and other programs, this will add General Fund costs of an estimated $200 million when the federal changes are fully implemented ($62 million in 2015‑16).

- The Local Control Funding Formula is concentrating the greatest school funding — billions more this year alone — to those students who face the greatest challenges.

- The state increased the minimum wage by 25 percent, to $10 per hour, and guaranteed that 6.5 million workers are eligible for sick leave.

General Fund costs to implement these measures will be nearly $250 million by 2016‑17.

Despite these steps, millions of Californians remain below the federal poverty line. The Budget takes additional steps to counteract the effects of poverty:

- Establish the state's first Earned Income Tax Credit to help the poorest working families in California. This targeted credit will provide a refundable tax credit for wages and would focus on the lowest‑income Californians — households with incomes less than $6,580 if there are no dependents or $13,870 if there are three or more dependents. The proposed credit would match 85 percent of the federal credit at the lowest income levels, providing an average estimated household benefit of $460 annually for 825,000 families (representing 2 million individuals), with a maximum benefit of $2,653.

- Provide $1.4 billion ($150 million more than the Governor's Budget) in funding to support a coordinated framework for adult education, career technical education, workforce investment and apprenticeships.

- Establish an amnesty program for those Californians with past due court‑ordered debt from traffic infractions. Participating individuals can reduce their debts by 50 percent, reduce the administrative fees they pay from $300 to $50, and have their drivers' licenses reinstated.

The May Revision additionally addresses the current drought. The State of California has experienced four consecutive years of below‑average rain and snow, and is currently facing severe drought conditions in all 58 counties. The most recent surveys recorded the statewide average snowpack, which is the source for one‑third of the state's water, at just 2 percent of the normal average. Since the Governor first declared a state of emergency in January 2014, the Administration has worked with the Legislature to appropriate approximately $1.9 billion to assist drought‑impacted communities and provide additional resources for critical water infrastructure projects. The state's emergency drought response accelerates several of the key actions in the California Water Action Plan. The May Revision includes an additional $2.2 billion of one‑time resources to continue the state's response to drought impacts. The funds will protect and expand local water supplies, conserve water and respond to emergency conditions.

On June 19, 2015, the State Legislature passed the 2015-16 budget bill and certain related legislation not including the additional changes to the wind-down process for redevelopment agencies discussed above. The budget agreement relies on the administration's May 2015 estimates of (1) General Fund revenues, (2) the Proposition 98 minimum guarantee for schools and community colleges, and (3) budget reserve and debt payment requirements under Proposition 2. School and community college funding is the centerpiece of the agreement, as administration estimates of the Proposition 98 minimum guarantee have increased substantially over June 2014 levels. The terms of the budget trailer bill have not yet been approved by the Governor or enacted into law.

Information about the State budget and State spending is available at various State maintained websites. Text of the Proposed Budget, the May Revision and other documents related to the State budget may be found at the website of the DOF, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

Changes in State Budget

The final State Budget, which requires approval by a two-thirds vote of each house of the State Legislature, may differ substantially from the Governor's original budget proposal. Accordingly, the

County cannot predict the impact that the 2015-16 budget, or subsequent budgets, will have on its finances and operations. The State Budget will be affected by State and national economic conditions and other factors over which the County will have no control.

Transient Occupancy Tax

Tourism is second only to Agribusiness in Monterey County generating 2.3 billion in spending in 2013 and 2014. Often referred to as the "hotel tax," The County collects transient occupancy tax (TOT) revenues from hotel operators for the privilege of occupancy in any hotel as a percentage of the rent charged by the operator. 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 rate for Monterey County is 10.5%. Monterey County is a destination of choice for many travelers from not only the U.S., but countries across the globe. For this reason, economic conditions both in the U.S. and abroad influence these revenues. Of the 252 lodging properties throughout the County, the occupancy rate is up over the previous year to 64.1%. Local air travel has increased 10%. These increases are due largely to the increased number of international travelers to Monterey County. Transient Occupancy Tax revenues reached an all-time high of $19.3 million. In addition to local tax revenues, tourism contributes 22,000 full time jobs to the local economy.

TOT revenues contributed approximately $19.9 million to General Fund revenues in the Fiscal Year ended June 30, 2014, equating to approximately 3.3% of total General Fund revenues for that fiscal year. TOT revenues are expected to contribute approximately $20.9 million to General Fund revenues in the Fiscal Year ended June 30, 2015.

Table 5
County of Monterey
Transient Occupancy Tax Receipts
Fiscal Years 2007-2015 (Ending June 30)

Fiscal Year	TOT Tax Receipts	Growth Rate
2007	$16,912,274	8.63%
2008	16,441,176	(0.05)%
2009	14,553,941	(11.60)%
2010	13,312,712	(8.40)%
2011	14,249,048	7.03%
2012	16,722,512	17.36%
2013	17,945,479	7.31%
2014 (1)	19,881,258	10.79%
2015 (2)	20,900,000	5.12%

(1) From Monterey County Audited Financial Statements for Fiscal Year Ended June 30, 2014
(2) Estimated
Source: County of Monterey Auditor-Controller.

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 $5.4 million to the County's General Fund revenues in the fiscal year ended June 30, 2014, equating to approximately 1.1% of total General Fund revenues for that fiscal year. Sales and use taxes are expected to continue to decline due to the ongoing recession. 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 the past five years as well as computed annual rate of change for such periods.

Table 6
County of Monterey
Historical Taxable Sales and Sales Tax Receipts for Unincorporated Areas
Fiscal Years Ending 2011-2015

Fiscal Year	Taxable Sales [1]	Sales Tax Receipts [2]	Growth Rate of Sales Tax Receipts [2]
2010-11	$843,359,000	$6,503,571	--
2011-12	847,858,000	6,398,776	(1.63)%
2012-13	892,758,000	6,699,661	4.70%
2013-14	959,229,000	7,181,613	7.19%
2014-15 [3]	[*]	8,016,614	11.62%

(1) Taxable Sales for unincorporated areas of the County only. Fiscal year basis.
(2) Sales Tax Receipts are for unincorporated areas of the County only. Fiscal Year basis.
(3) Taxable Sales for 2015 are actual receipts through May 19, 2015.
Source: County of Monterey Administrative Office and California State Board of Equalization.

Among the information set forth in APPENDIX A – "GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY" 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.

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. For the fiscal year ended June 30, 2014, ad valorem property taxes contributed $595.2 million to the County. Of that amount, ad valorem property taxes contributed approximately $123.6 million to General Fund revenues, equating to approximately 23% of total General Fund revenues for that fiscal year. Ad valorem property tax revenues increased by $22.8 million for fiscal year ended June 30, 2014. Preliminary estimates for FISCAL YEAR 2015 indicate property taxes to the general fund totaling $124.7 million, an additional $1.2 million increase.

Out of the $123.6 million, $41.4 million pertains to property tax in-lieu of vehicle license fee, and $1.3 million pertains to property tax in lieu of sales tax. See "State Funding of Counties" above. 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" 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 l 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 l lien date and become delinquent if unpaid on August 31. A l0% 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 ten 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 7
County of Monterey
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(In Thousands of Dollars)

Fiscal Year Ended June 30	(1) Secured Roll	(2) Unsecured Roll	(3) Exemptions	Net Assessed Valuations	(4) Total Direct Tax Rate
2005	$38,434,502	$1,713,181	$(1,235,833)	$38,911,850	1.00%
2006	42,538,965	1,859,928	(1,329,452)	43,069,441	1.00
2007	47,388,757	1,999,660	(1,471,788)	47,916,629	1.00
2008	51,334,367	2,035,086	(1,525,258)	51,844,195	1.00
2009	52,454,129	2,234,086	(1,608,033)	53,080,182	1.00
2010	50,655,874	2,254,022	(1,679,121)	51,230,775	1.00
2011	48,774,186	2,116,423	(1,770,929)	49,119,680	1.00
2012	48,980,011	2,103,408	(1,856,776)	49,226,643	1.00
2013	49,595,091	2,122,678	(1,914,519)	49,803,250	1.00
2014	51,396,835	2,159,991	(2,009,761)	51,547,065	1.00

Notes:
1. Secured 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.
2. Unsecured property is generally personal property, including machinery, equipment, office tools, supplies, mobile homes, and aircraft.
3. Exempt properties include numerous full and partial exclusions/exemptions provided.
4. Article XIIIA, added to the California Construction 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.

Source: County of Monterey Administrative Office and California State Board of Equalization.

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 five fiscal years.

Table 8
County of Monterey
Secured Tax Levies and Delinquencies
Last Ten Years
(In Thousands of Dollars)

Fiscal Year Ended June 30	(1) Taxes Levied for the Fiscal Year	(2) Collected within the Fiscal Year of the Levy		(3) Collections in Subsequent Years	Taxes Levied Current and Delinquent	(4) Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2005	$440,553	$434,059	98.53%	$8,378	$451,676	$442,437	97.95%
2006	487,644	476,758	97.77	7,098	496,596	483,856	97.43
2007	541,741	522,686	96.48	7,930	555,437	530,616	95.53
2008	588,831	556,021	94.43	15,065	613,523	571,086	93.08
2009	603,438	576,924	95.61	29,000	646,268	605,924	93.76
2010	585,686	565,453	96.55	24,288	619,428	589,741	95.21
2011	566,445	552,997	97.63	22,076	603,021	575,073	95.37
2012	573,255	561,891	98.02	12,842	601,215	574,733	95.60
2013	582,546	572,426	98.26	11,742	608,897	584,168	95.94
2014	602,945	595,209	98.72	11,067	627,324	606,276	96.64

Notes:

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 Property Tax Records.

Table 9
County of Monterey
Property Tax Levies And Collections
Last Ten Years
(In Thousands of Dollars)

Fiscal Year Ended June 30	(1) Taxes Levied for the Fiscal Year	(2) Collected within the Fiscal Year of the Levy: Amount	(2) Collected within the Fiscal Year of the Levy: Percentage of Levy	(3) Collections in Subsequent Years	Taxes Levied Current and Delinquent	(4) Total Collections to Date: Amount	(4) Total Collections to Date: Percentage of Levy
2005	$440,553	$434,059	98.53%	$8,378	$451,676	$442,437	97.95%
2006	487,644	476,758	97.77%	7,098	496,596	483,856	97.43%
2007	541,741	522,686	96.48%	7,930	555,437	530,616	95.53%
2008	588,831	556,021	94.43%	15,065	613,523	571,086	93.08%
2009	603,438	576,924	95.61%	29,000	646,268	605,924	93.76%
2010	585,686	565,453	96.55%	24,288	619,428	589,741	95.21%
2011	566,445	552,997	97.63%	22,076	603,021	575,073	95.37%
2012	573,255	561,891	98.02%	12,842	601,215	574,733	95.60%
2013	582,546	572,426	98.26%	11,742	608,897	584,168	95.94%
2014	602,945	595,209	98.72%	11,067	627,324	606,276	96.64%

Notes:

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 Property Tax Records.

The following table represents the ten largest taxpayers of local secured property taxes within the County as of June 30, 2014.

Table 10
County of Monterey
Largest Taxpayers
For The Year Ended June 30, 2014

Taxpayer	Type of Business	Taxable Assessed Value ($'000)	Rank	Percentage of Total County Assessed Value	Taxable Assessed Value ($'000)
Pebble Beach Company	Tourism	$ 716,702	1	1.39%	$ 627,988
Pacific Gas & Electric Company	Utility	493,521	2	0.96	266,931
Chevron USA Inc.	Petroleum	408,145	3	0.79	
Aera Energy LLC	Utility	406,152	4	0.79	-
Dynergy Moss Landing LLC	Utility	357,781	5	0.69	-
Northridge Owner LP	Retail	121,207	6	0.24	128,618
California- American Water Company	Utility	118,469	7	0.23	90,000
Pacific Bell Telephone Company	Utility	97,546	8	0.19	103,666
Scheid Vineyards California Inc.	Agriculture	94,274	9	0.18	-
Pacific Holdings LP ET AL	Real Estate	94,246	10	0.18	51,098
Duke Energy Moss Landing LLC	Utility	-		-	762,000
King City LP	Real Estate	-		-	62,831
DDI Salinas II LLC et al	Real Estate	-		-	42,413
Pacific Wine Partners	Agriculture	-		-	60,668
San Bernabe Vineyards LLC	Agriculture	-		-	46,538
Ten Largest Taxpayers' Total		2,908,043		5.64	2,242,751
All Other Taxpayers' Total		48,639,022		94.36	36,669,099
Total		$51,547,065		100%	$38,911,850

Note:
For Total Taxable Assessed Value refer to Schedule 5 "Assessed Value and Actual Value of Taxable Property".
Source: County of Monterey Property Tax Records.

Outstanding General Fund Debt

As of June 30, 2014, the County was obligated to make payments for debt service on approximately $253.9 million of then currently outstanding aggregate principal amount of long-term bond, note, and loan obligations, which includes $25.6 million payable to the Bureau of Reclamation. This was a decrease of $14.3 million prior year of $268.2 million.

The following table summarizes the County's long-term debt outstanding for the fiscal year ended June 30, 2014.

Table 11
County of Monterey
Long-Term Debt Outstanding
For the Year Ended June 30, 2014

	Maturity	Interest Rates	Principal Installments	Date of Issue	Amount Authorized	Outstanding June 30, 2014
Governmental activities						
Certificates of participation						
2007 issue *(defeased the 1993 sheriff facility and the 2001 issue master plan financing issue plus new monies for completion of public health and court related facilities)*	2038	4.0% - 5.0%	$2,785,000 - $6,845,000	2007	$144,400,000	$117,215,000
NGEN Issue *(finance acquisition, construction and installation of communications system)*	2023	3.95%	$508,887 - $818,645	2010	8,518,628	6,919,432
Judgment obligation bonds *(liquidate litigation liabilities)*	2014	3.0% - 4.0%	$695,000 - $870,000	2004	7,470,000	-
Revenue bonds - Special Districts						
Agencies under Board of Supervisors	2036	5.0%	$16,000 - $37,000	1980-95	56,859,700	752,000
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	30,525,000
Notes payable - Parks & Recreation *(acquire recreational properties)*						
San Antonio Lakes Resort	2023	5.0%	33095	2007	4,185,000	2,702,007
Lake Nacimiento Resort	2023	5.0%	89478	2007	11,315,000	7,305,476
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	25,589,537
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	121,000
					$300,896,118	$191,129,452
Business-type activities						
Loan payable	2015	2.13% (avg.)	$237,000 - $263,000	2010	15,000,000	4,668,388
Certificates of Participation [1] *(NMC Improvements)*						
2007 COP Refunding	2029	4% - 5%	$230,000-$575,000	2007	8,280,000	6,420,000
2009 Refunding	2024	2% - 5.25%	$2,175,000 - $4,225,000	2009	43,700,000	34,065,000
2010 Refunding	2027	2% - 4%	$65,000 - $4,920,000	2010	17,845,000	17,645,000
					$84,825,000	$62,798,388

(1) The County's Certificates of Participation, Natividad Medical Center Improvement Project are payable from the County's General Fund, although the County is and expects to be reimbursed from Natividad Medical Center revenues. In the event Natividad Medical Center revenues are insufficient, the County remains obligated to make principal and interest payments with respect to the Certificates of Participation. See "Natividad Medical Center" below and "RISK FACTORS – Natividad Medical Center."

Source: The County.

The County is a party to capital equipment leases and operating leases requiring annual lease payments by the County. See APPENDIX B – "COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014."

Dissolution of Redevelopment

In 2011, the State adopted legislation to dissolve all redevelopment agencies in the State. The dissolution was effective on February 1, 2012. The County had not established a redevelopment agency nor any redevelopment project area and, as such, dissolution has had no direct impact on the County, however the County has received increased tax revenues. At the end of the Fiscal Year 2013-14, the General Fund unassigned fund balance increased $12.9 to $17.6 from the prior year unassigned fund balance. The increase is a result of both the Redevelopment Dissolution Act, which infused fund balance with one-time transfers and additional tax increment, and also the economic recovery, which produced favorable results in general fund revenues. For the same period, the County's governmental funds reported total fund balances of $241.1, an increase of $22.7 from the prior year total fund balances. The increase is mainly attributed to the recovery in property tax revenue, growth in transient occupancy tax receipts, and receipt of tax increment authorized under the Redevelopment Dissolution Act.

County Enterprise Funds

The County has two business-type activities: Natividad Medical Center and the Parks and Lake Resort, which provides an assortment of outdoor and recreational activities associated with, and on the lands surrounding, Lake San Antonio and Lake Nacimiento. Natividad Medical Center is the County's second largest fund, after the General Fund, with appropriations totaling $219.3 million, or about one-fifth of the County's budget.

Natividad Medical Center. The Natividad Medical Center ("Center") is owned and operated by the County and governed by the Board with the assistance of a separate Board of Trustees. Founded in 1886, the County's Natividad Medical Center ("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. As a County entity, the Center 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, realignment revenues and subsidies from the General Fund.

The County has also established a strategic reserve reported as a separate committed fund balance constraint as the Natividad Medical Center Strategic Reserve. The Natividad Medical Center Strategic Reserve is funded with unrestricted NMC net position and can be used only for Natividad Medical Center purposes, as determined by the Board based on recommendations of the NMC Board of Trustees.

In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend health care coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. NMC is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations and/or interpretive guidance. However, NMC expects that several provisions of the Health Care Reform Legislation will have a material effect on its business.

The Center receives several sources of support payments from federal and State sources. See Note 15 to the Comprehensive Annual Financial Report included in APPENDIX B hereto.

The Center experienced a net operating gain of $2.5 and a net non-operating loss of $1.0 in Fiscal Year 2013-14. This fiscal year shows a decrease in net position of $1.8 due to transfers-out of $3.2; $0.8 for realignment program, and $2.4 for one-time reimbursement by the Center to the general fund. Additional reduction in net position of $1.5 due to prior period adjustment has brought its ending net position to a balance of $117.5, which is 2.7% lower than Fiscal Year 2013-14.

Parks and Lake Resort. Parks experienced a net operating loss of $3.1 and a net non-operating loss of $0.2, but resulted to a positive change in net position of $0.8 due to various transfers in of $4.1. The operating loss was caused by operating expenses exceeding operating revenues for the fund.

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 the County's Statement of Investment Policy (the "Investment Policy") prepared by the County Treasurer. The Investment Policy is submitted to the Board for review and approval on an annual basis, and the Treasurer presents a performance review of the County Pool to the Board on a quarterly basis. The County Pool represents moneys deposited by the County and school 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 that cash is available to meet anticipated needs and maximize earnings. The County Treasurer or his designee reviews the investment records, the contents of the County Pool, and the specific financial institutions with whom investments have been made. As of June 30, 2014, investments in the Treasury Pool totaled $978,025,315, of which approximately 61% belongs to school districts and community colleges. As of May 18, 2015, the pool totaled $1,153,242,635, of which $606,164,387 was the schools portion.

Decisions on the investment of funds in the Treasury Pool are made by the Treasurer and his deputies in accordance with established policy guidelines. In the County, investment decisions are governed by sections 53601 and 53635, *et seq*. of the California Government Code which governs legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the Treasurer and adopted by the Board on an annual basis. The Investment Policy provides first for the safety and liquidity of funds on deposit, restricts the weighted average maximum maturity to two years, limits reverse repurchase agreement maturities to 92 days, requires matched maturities on reverse repurchase agreement reinvestments, forbids acceptance of gifts from brokers and dealers, requires third-party safekeeping of all investments, and provides for marking to market valuation of the portfolio on a quarterly basis.

The total amortized book value of the Treasury Pool as of June 30, 2015 was $1,120,854,255 spread among 78 separate investments of which 49.6% (approximately $555,943,710) represented the County's share with the remaining balance belonging to school, community college and special districts. Of the County's share, approximately 3.4%, or $19,093,159, was allocable to funds held for restricted purposes, including trust and agency funds held for the benefit of third parties. The market value was $1,120,818,419 and was 100% of the amortized cost basis. The Treasury Pool's weighted average yield was 0.72%, and its earned income for the quarter ended June 30, 2015 was $2,061,464. The weighted average maturity of the portfolio was 422 days. Approximately 38.7% (approximately $434,174,319 par value) of the Treasury Pool was in cash or invested in instruments with one-day maturities, including repurchase agreements with dealers and money market funds. Approximately 1.78% (approximately $20,000,000 par value) was in Treasury Bills maturing within approximately 930 days. Approximately 50.07% (approximately $560,000,000 amortized book value) of the Treasury Pool was invested in various U. S. Treasury and federal agency securities. Approximately 8.52% (approximately $94,000,000 par value) of the Treasury Pool consisted of corporate notes rated A3/A or better. The Treasury Pool contains no reverse repurchase agreements; securities lending may be employed within any quarter but is restricted to a maximum of 20% of the portfolio. As of June 30, 2015, none of the portfolio's securities were lent out. The pool contained no inverse floating rate instruments.

Pension Benefits

Pension and Other Post-Employment Benefits. The County contributes to the State of California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. CalPERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and 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 as part of the June 30, 2014, actuarial valuations provided by CalPERS in October 2014 (the "2014 CalPERS Report"), using the entry age normal actuarial cost method.

Funding Policy. Active plan members in CalPERS are required to contribute a percentage of their annual covered salary, which is 7% for miscellaneous employees and 9% for public safety employees. Due to collective bargaining agreement, the County pays the 3.5% of the required member contribution. The County is required to contribute at an actuarially determined rate. For Fiscal Year 2013-14, the employer rate is 10.926% for miscellaneous members and 28.962% for safety members. 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.

Annual Pension Cost. For Fiscal Year 2013-14, the County's required and actual contribution was $41,860,055. Of this amount the annual pension cost to the County was $40,372,728 and $1,487,327 was paid by public safety employees who pay 4.5% of the required contribution.

Table 12
County of Monterey
Comparison of CalPERS Costs

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
Safety Plan:		
June 30, 2014	$14,352,587	100%
June 30, 2013	12,974,125	100
June 30, 2012	13,371,881	100
Miscellaneous Plan:		
June 30, 2014	$27,507,468	100%
June 30, 2013	25,696,483	100
June 30, 2012	25,869,754	100

The required contribution for Fiscal Year 2013-14 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.3% to 14.2% depending on age, service and type of employment, and (c) 3% cost of living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of plan assets was determined using a technique that smooth the effect of the short term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was twenty six years for the miscellaneous group and thirty two years for the public safety group.

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. A current comparison of CalPERS costs for Fiscal Years 2010-11 through 2015-16 is shown below.

	Miscellaneous Plan			Safety Plan		
Fiscal Year	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Total Employer Contribution Rate	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Total Employer Contribution Rate
2010-11	7.975%	2.150%	10.125%	15.366%	10.978%	26.344%
2011-12	7.757	3.099	10.856	15.803	12.051	27.854
2012-13	7.710	3.059	10.769	15.743	11.517	27.260
2013-14	7.907	3.019	10.926	16.530	12.432	28.962
2014-25	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

* Projected.
† CalPERS projected.
Source: County of Monterey Auditor-Controller and 2014 CalPERS Report.

See also Note 10 to the Comprehensive Annual Financial Report included in APPENDIX B hereto.

Funded Status and Funding Progress. The following is the funded status information (in thousands) for each plan as of June 30, 2013, the most recent actuarial valuation date:

	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Annual Covered Payroll	UAAL as a % of Payroll
Safety	$ 482,245	$ 335,018	$ 147,227	$ 46,697	315.28%
Miscellaneous	1,311,214	1,052,650	258,564	254,581	101.56

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 6-year analysis of the actuarial value of assets of the ____ as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30.

Table 13
Miscellaneous Members
(dollars in thousands)

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Underfunded Liability (UAAL)	Actuarial Funded Ratio	Market Value Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
2013*	$1,311,214	$1,052,650	$1,052,650	$258,564	80.3%	80.3%	$254,581	
2012	1,257,304	1,112,195	937,183	145,110	88.5	74.5	260,100	
2011	1,169,818	1,047,556	940,247	122,262	89.5	80.4	256,825	
2010	1,092,491	978,403	773,367	114,088	89.6	70.8	257,248	44.3
2009	1,033,506	918,422	674,183	115,084	88.9	65.2	255,212	45.1
2008	936,249	862,966	880,219	73,283	92.2	94.0	235,275	31.1

Table 14
Safety Members
(dollars in thousands)

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Underfunded Liability (UAAL)	Actuarial Funded Ratio	Market Value Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
2013*	$482,245	$335,018	$335,018	$147,227	69.5%	69.5%	$46,698	
2012	456,415	337,200	298,950	99,215	78.3	65.5	47,587	
2011	444,376	336,316	299,767	108,060	75.7	67.5	48,544	
2010	414,498	313,835	245,671	100,663	75.7	59.3	50,332	200.0
2009	395,268	293,618	212,756	101,650	74.3	53.8	49,244	206.4
2008	363,113	275,250	278,725	87,863	75.8	76.8	45,713	192.2

* Beginning with the June 30, 2013 CalPERS valuation, Actuarial Value of Assets as reported by CalPERS equals Market Value of Assets as a result of CaIPERS Direct Rate Smoothing Policy.
Source: County of Monterey Auditor-Controller and 2014 CalPERS Report.

Actuarial Methods and Assumptions. On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members, PEPRA also effectively closed all existing active risk pools to new employees. As such it is no longer appropriate to assume that the payroll of the risk pools for the classic formulas will continue to grow at 3 percent annually. Funding the promised pension benefits as a percentage of payroll would lead to the underfunding of the plans. In addition the current allocation of the existing unfunded liabilities based on payroll would create equity issues for employers within the risk pools. Furthermore the declining payroll of the classic formula risk pools will lead to unacceptable levels of employer rate volatility.

In order to address these issues the CalPERS Board of Administration approved at their May 21, 2014 meeting structural changes to the risk pools. All pooled plans will be combined into two active pools, one for all miscellaneous groups and one for all safety groups, effective with the 2013 valuations. By combining the pools this way the payroll of the risk pools and the employers within the pools can once again be expected to increase at the assumed 3 percent annual growth. However two important changes are being made which will affect employers.

1. Beginning with Fiscal Year 2015-16 CalPERS will collect employer contributions toward the unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This change will address the funding issue that would still arise from the declining population of classic formula members. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability and side fund payments the plan's normal cost contribution will continue to be collected as a percentage of payroll.

2. The pool's unfunded liability will be allocated to each individual plan based on the plan's total liability rather than by plan individual payroll. This will allow employers to track their own unfunded liability and pay it down faster if they choose. The change in the allocation of unfunded liabilities will result in some employers paying more towards their unfunded liability and some paying less.

The impact of the PEPRA changes are included in the rates and the benefit provision listings of the June 30, 2013 valuation for the 2015-16 rates.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies seen in CalPERS membership and expected continued improvements. The new actuarial assumptions will be used to set the Fiscal Year 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

The projected future employer contribution rates for the County are as follows. Projected future employer contribution rates are shown based on the 2014 CalPERS Report for a June 30 fiscal year end.

Fiscal Year	Safety Plan Employer Normal Cost Rate	Miscellaneous Plan Employer Normal Cost Rate
2015-16	30.180%	12.846%
2016-17	34.1	13.7
2017-18	35.9	14.2
2018-19	37.8	14.8
2019-20	39.6	15.3
2020-21	39.9	15.2

* Projected.
† CalPERS projected.
Source: 2014 CalPERS Report.

See also Note 10 to the Comprehensive Annual Financial Report included in APPENDIX B hereto.

Other Post-Employment Benefits (OPEB). The County of Monterey Retiree Healthcare Plan (Plan) is a single employer defined benefit healthcare plan administered by the County. The Plan provides healthcare insurance benefits to eligible retirees. Benefit provisions are established and may be amended by the County.

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 ($119 per month in 2014) towards the retiree monthly premium for eligible retirees participating in PEMHCA.

Funding Policy. The contribution requirements of the 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 (CERBT) by contributing up to 100% of the annual required contribution.

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension. The County's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 20 years. The Fiscal Year 2013-14 ARC is $3,796,000.

For Fiscal Year 2013-14, the County paid a total of $4,092,000 to the OPEB trust (CERBT). Of this amount, $1,035,000 was paid for healthcare insurance benefits for eligible retirees, and $3,057,000 was paid to fund future retirees' healthcare.

CERBT is a tax qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre fund retiree healthcare benefits. CERBT issues a publicly available financial report including GASB 43 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans disclosure information in aggregate with the other CERBT participating employers. That report may be obtained by contacting CalPERS, Executive Office, 400 P Street, Sacramento, CA 95814.

The following are the components of the County's annual OPEB cost for the fiscal year ended June 30, 2014:

Annual Required Contribution (ARC)	$3,796,000
Interest on net OPEB obligation actuarial estimate	492,000
Amortization of net OPEB obligation actuarial estimate	(697,000)
Annual OPEB cost (expense)	3,591,000
Contributions made	(4,092,000)
Increase (decrease) in net OPEB obligation	(501,000)
Net OPEB obligation, beginning of year	6,779,438
Net OPEB obligation, end of year$	6,278,438

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan (as described in the funding policy above), and the net OPEB obligation for Fiscal Year 2013-14 and the prior two fiscal years:

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
June 30, 2014	$3,591,000	114.0%	$6,278,438
June 30, 2013	3,869,000	103.9	6,779,438
June 30, 2012	3,780,000	112.9	6,930,493

General Fund, Road Fund, Library, In Home Supportive Services, Office of Employment Training, Community Action Partnership, Behavioral Health, Parks Lakes, Water Resources, and NMC funds have been used to liquidate the net other postemployment benefit obligation.

Funded Status and Funding Progress. The funded status of the plan, based on an actuarial valuation as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows (amounts in thousands):

Actuarial accrued liability (AAL)	$36,655
Actuarial value of plan assets	11,839
Unfunded actuarial accrued liability (UAAL)	24,816
Funded ratio (actuarial value of plan assets/AAL)	32.30%
Covered payroll (active Plan members)	298,873
UAAL as a percentage of covered payroll	8.30%

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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

In the June 30, 2013 actuarial valuation, dated August 13, 2014, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), which is the expected long term investment return on CERBT investments, and an annual healthcare minimum cost trend rate of 4.5% after 3 years (actual healthcare minimum costs were used for the first 3 years). This rate includes a 3% inflation assumption. The actuarial value of assets is equal to the market value. The UAAL is being amortized as a level percentage of projected payroll over 20 years on a closed basis. The remaining amortization period at June 30, 2014 was 14 years.

The table below shows an analysis of the actuarial value of assets of the Retiree Healthcare Plan as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30.

Table 15
Retiree Healthcare Plan
(dollars in thousands)

Valuation Date (June 30)	Actuarial Accrued Liability	Actuarial Value of Assets	Underfunded Liability (UAAL)	Actuarial Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
2013*	$36,655	$11,839	$24,816	32.3%	$298,873	8.3%
2011	31,719	4,434	27,299	14.0	288,974	9.4
2009	23,292	1,500	23,142	0.6	293,876	7.9
2007	28,297	--	28,297	0.0	256,156	11.0

Source: County of Monterey Auditor-Controller and Bartel Associates LLC.

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 June 1, 2015 (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.

Table 16
County of Monterey
Direct and Overlapping Debt (As of June 1, 2015)

2014-15 Assessed Valuation: $54,466,446,505

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/15	
Hartnell Community College District	99.808%	$121,731,101	
Monterey Peninsula Community College District	100.	113,164,450	
Carmel Unified School District	100.	33,093,445	
Monterey Peninsula Unified School District	100.	53,970,988	
North Monterey County Unified School District	100.	29,915,000	
Pacific Grove Unified School District	100.	50,135,000	
Soledad Unified School District	100.	28,809,036	
King City Joint Union High School District	98.853	8,160,315	
Salinas Union High School District and School Facilities Improvement District	100.	36,078,695	
Alisal Union School District	100.	32,748,165	
Greenfield Union School District	100.	8,946,397	
Salinas City School District	100.	24,370,000	
Santa Rita Union School District	100.	22,067,260	
Washington Union School District	100.	11,895,000	
Other School Districts	Various	43,966,347	
City of Marina	100.	7,925,000	
City of Pacific Grove	100.	270,000	
Soledad Community Hospital District	100.	940,000	
Community Facilities Districts	100.	3,512,542	
City 1915 Act Bonds	100.	13,585,000	
Special District 1915 Act Bonds	100.	4,541,000	
Monterey County Water Resources Agency Benefit Assessment District Zone 2C	**100.**	**29,885,000**	
Monterey County Special Assessment Bonds	**100.**	**113,000**	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$679,822,741	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Monterey County Certificates of Participation	**100. %**	**$119,181,768**	**(1)**
Monterey County Revenue Bonds	**100.**	**684,000**	
Monterey County Board of Education Certificates of Participation	100.	1,730,000	
North Monterey County Unified School District Certificates of Participation	100.	11,840,000	
King City Joint Union High School District General Fund Obligations	98.853	12,371,453	
Other School District General Fund Obligations	Various	19,581,385	
City of Carmel General Fund Obligations	100.	6,435,000	
City of Cannel Pension Obligations	100.	5,005,000	
City of Gonzales General Fund Obligations	100.	4,175,000	
City of Marina Pension Obligations	100.	1,470,000	
City of Monterey General Fund Obligations	100.	8,225,000	
City of Pacific Grove Pension Obligations	100.	10,252,079	
City of Salinas Certificates of Participation	100.	35,386,000	
City of Seaside Pension Obligations	100.	5,420,000	
Monterey County Fire Protection District Pension Obligations	100.	8,105,000	
Pajaro/Sunny Mesa Community Services District General Fund Obligations	100.	375,000	
TOTAL DIRECT AND OVERLAPPING GENERAL GOVERNMENT DEBT		$250,236,685	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)	100	$77,462,445	
TOTAL DIRECT DEBT		**149,863,768**	
TOTAL OVERLAPPING DEBT		857,658,103	
COMBINED TOTAL DEBT		$1,007,521,871	(2)

Ratios to 2014-15 Assessed Valuation:	
Total Direct and Overlapping Tax and Assessment Debt	1.25 %
Total Direct Debt ($149,863,768)	**0.28 %**
Combined Total Debt	1.85 %
Ratios to Redevelopment Incremental Valuation ($4,436,251,434):	
Total Overlapping Tax Increment Debt	1.75 %

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(1) Percentage of overlapping debt applicable to county is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the county divided by the districts total taxable assessed value. Excludes the Certificates described in the Official Statement..

(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.

Labor Relations

There are 23 formal labor units, listed in Table 14 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. The aggregate total of represented employees (full time equivalents) is approximately 4,448. The aggregate total of non-represented employees is approximately 43. All employees' salaries are subject to periodic renegotiation.

Table 17
County of Monterey
Labor Relations

	Bargaining Unit	Labor Organization	Number of Employees(1)	Contract Expiration
1.	Safety Unit	Deputy Sheriff's Association	263	June 30, 2016
2.	Safety Supervisors	Deputy Sheriff's Association	43	June 30, 2016
3.	Safety Management	Deputy Sheriff's Association	11	June 30, 2016
4.	Deputy District Attorneys	Deputy District Attorneys Association	51	June 30, 2016
5.	Deputy Public Defenders	Deputy Public Defenders Association	24	June 30, 2016
6.	Probation Supervisors	Probation Association	9	June 30, 2016
7.	Probation Officers	Probation Association	172	June 30, 2016
8.	Probation Managers	Probation Managers Association	18	June 30, 2016
9.	Supervisory	Service Employees International Union 521	271	June 30, 2016
10.	County Counsel	Monterey County Counsel Employees Assoc.	15	June 30, 2016
11.	Health Care Unit	Service Employees International Union 521	385	June 30, 2016
12.	Registered Nurses	[Service Employees International Union 521]	392	December 31, 2015
13.	General Employees	Service Employees International Union 521	1,494	June 30, 2016
15.	Social Services	Service Employees International Union 521	678	June 30, 2016
16.	Resident Physicians	Service Employees International Union 521	27	June 30, 2016
16.	Contract Physicians	[Service Employees International Union 521]	59	[June 30, 2016]
17.	Park Rangers	Park Rangers Association	9	June 30, 2014
18.	Park Ranger Supervisors	Park Rangers Association	2	June 30, 2014
19.	Board of Supervisors	[Service Employees International Union 521]	5	n.a.
20.	Board Administrative	[Service Employees International Union 521]	5	n.a.
210	Management	[Service Employees International Union 521]	449	n.a.
22.	Executive	[Service Employees International Union 521]	66	n.a.
23.	Temporary Employees	Service Employees International Union 521	0	n.a.
			4,448	

(1) Full time equivalents are based on filled positions, calendar year 2015.
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 the purchase of the Certificates. However, they do 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.

Base Rental Payments Not County Debt

The obligation of the County to make the Base Rental Payments does not constitute a debt of the County or of 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 under the Lease Agreement to pay the Base Rental Payments from any source of legally available funds and the County has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Base Rental Payments in its annual budgets and to make necessary annual appropriations therefor. 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 Base Rental 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 Base Rental 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 Base Rental Payments and other payments due under the Lease Agreement.

Abatement

In the event of substantial interference with the County's right to use and occupy any portion of the Property by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, Rental Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT – Abatement." In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the County's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the Reserve Fund or other funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient or unavailable to provide for complete repair or replacement of such portion of the Property or prepayment of the Certificates, there could be insufficient funds to make payments to Owners in full.

Natural Disasters and Seismic Considerations

The areas at and surrounding the Property, like those in much of California, may be subject to unpredictable seismic activity. 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. Past experience cannot predict certain future results, however, certain facilities comprising the Property, the Salinas Courthouse and the Monterey Courthouse, withstood the Loma Prieta Earthquake without material damage. The County Jail suffered only minimal damage.

Absence of Earthquake and Flood Insurance

The County is not required by the Lease Agreement to maintain earthquake 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.

Limited Recourse on Default

If the County defaults on its obligations to make Base Rental Payments, the Trustee, as assignee of the Corporation, may (subject to the restrictions described below) retain the Lease Agreement and hold the County liable for all Base Rental Payments on an annual basis and will have the right to re-enter and re-let the Property. In the event such re-letting occurs, the County would be liable for any resulting deficiency in Base Rental Payments. Alternatively, the Trustee may terminate the Lease Agreement with respect to the Property and proceed against the County to recover damages pursuant to the Lease Agreement.

Due to the specialized nature of the Property, no assurance can be given that the Trustee will be able to re-let any portion of the 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 Property for the benefit of the Owners of the Certificates. In addition, due to the governmental function of the 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 reletting will not adversely affect the exclusion of any interest component of Base Rental Payments from federal or state income taxation.

No Acceleration Upon Default

In the event of a default, there is no available remedy of acceleration of the Base Rental Payments due over the term of the Lease Agreement. The County will only be liable for Base Rental 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 Base Rental Payments.

Substitution or Release of Property

The Lease Agreement provides that, upon satisfaction of certain conditions specified therein, the County may release from the Lease Agreement any portion of the Property or substitute alternate real property for all or any portion of the Property. Although the Lease Agreement requires that the property which will comprise the Property after such release or substitution must have a fair rental value greater than or equal to the Base Rental Payments payable by the County pursuant to the Lease Agreement, it does not require that such property have an annual fair rental value equal to 100% of the annual fair rental value of the property comprising the Property at the time of substitution or release. Thus, a portion of the real property comprising the 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 Base Rental Payments were to occur subsequent to such substitution or release. See also, "THE PROPERTY - Term of Lease as to Certain Property" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS –LEASE AGREEMENT – Substitution or Release of the Property." Notwithstanding any such substitution or release, there will be no reduction in or abatement of the Base Rental Payments due from the County under the Lease Agreement as a result of such substitution or release.

Bankruptcy

In addition to the limitations on remedies contained in the Lease Agreement and the Trust Agreement, the rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and are subject to 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.

Limitations on Remedies

The rights of the Owners of the Certificates are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the County, may become subject to the federal bankruptcy code (Title 11, United States Code) (the "Bankruptcy Code") and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the U.S. Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the Federal or State government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the County, there are no involuntary petitions in bankruptcy. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Certificates, the Trustee and the Corporation could be prohibited from taking any steps to enforce their rights under the Lease Agreement, and from taking any steps to collect amounts due from the County under the Lease Agreement.

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 Base Rental 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.

Revenue Sources to Pay Base Rental 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. See "COUNTY FINANCIAL INFORMATION – State Budget Acts."

Cash Management

To the extent the 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 remains 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."

Limitation on Revenues

There are limitations on the ability of the County to increase revenues. The ability of the County to increase the *ad valorem* property taxes (which have historically been an important source of revenues for counties in California) is limited pursuant to Article XIIIA of the State Constitution, which was enacted in 1978. See "TAXES AND APPROPRIATIONS – Article XIIIA of the California Constitution."

The County receives a significant portion of its revenue from State and federal sources. Decreases in revenues received by the State can affect subventions made to the County and other counties in the State. In addition, actions taken by Congress and federal executive branch agencies including, without limitation, reductions in federal spending, could materially reduce the revenues received by the County.

Changes in Law

There can be no assurance that the State Legislature will not at some future time enact legislation that will amend or create laws resulting in a reduction of moneys available to pay the Base Rental Payments. Similarly, the California electorate could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution which could have the effect of reducing moneys available to pay the Base Rental Payments.

Drought and Emergency Drought Response

The State of California has experienced four consecutive years of below‑average rain and snow, and is currently facing severe drought conditions in all 58 counties. The most recent surveys recorded the statewide average snowpack, which is the source for one‑third of the state's water, at just 2 percent of the normal average. On March 27, 2015, Governor Brown signed emergency legislation (AB 91 and 92) that will mandate reductions in residential use and expedite $1 billion for drought and water infrastructure projects, including emergency food aid, drinking water, water recycling, conservation awareness, and flood protection. The action comes as the Sierra Nevada snowpack, which Californians rely on heavily during the summer for their water needs, is near a record low. Previously, on January 17, 2014, Governor Brown proclaimed a state of emergency due to the severe drought conditions faced by the State. Legislation was enacted in February which provided $687.4 million to support drought relief.

Since the Governor first declared a state of emergency in January 2014, the Administration has worked with the Legislature to appropriate approximately $1.9 billion to assist drought‑impacted communities and provide additional resources for critical water infrastructure projects. The state's emergency drought response accelerates several of the key actions in the California Water Action Plan.

The 2014-15 State Budget included additional one-time resources to continue immediate drought-related efforts started in 2014, such as an increase of $53.8 million general fund and $12.2 million other funds for firefighting efforts, and an increase of $18.1 million general fund to aid in assessing water conditions and provide public outreach regarding water conservation. The 2015-16 State Budget includes an additional $2.2 billion of one‑time resources to continue the state's response to drought impacts. The funds will protect and expand local water supplies, conserve water and respond to emergency conditions.

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.

Dependence of County on Agriculture

The County's economy is dependent in large part on the agricultural industry, the largest industry in the County, which provided approximately 24% of all employment in the County in Fiscal Year 2014-15. The County continues to be a leader in California agricultural with more than 40 crops exceeding a production value of $4.4 billion for the County. Area production is diverse. Vegetable Crops were the single largest production category by dollar value, comprising 65% of the county total. Lettuce dominated this category ($1.2 billion), followed by broccoli ($427 million), celery ($217 million), and spinach ($123 million). Fruit & Nut Crops represented the second largest category (26%) and consisted mostly of strawberries ($869 million) and wine grapes ($227 million). In recent years, Monterey County has become one of the largest premium grape growing regions in California, with over 40,000 acres of wine grapes. Together, these two major categories accounted for 91% of the county's direct farm production values, which were $4.38 billion.

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.

Risk of Delay in Completion of the Project

The County has experienced various delays and certain additional, unanticipated costs as described herein. Components of the Project, consisting of the Courthouse Complex, were originally scheduled to be substantially completed by August 2006 and were expected to cost approximately $67.8 million. The Project is currently scheduled to be substantially completed by June 30, 2018 and is expected to cost approximately $36.0 million.

In the last fifteen years, the County commenced a renovation of facilities including the Courthouse Complex. After discovering remediation costs in excess of the proceeds of prior certificates of participation and funds on hand, the County determined to complete the North Wing of the facilities and to suspend work on the East and West Wings of the Courthouse Complex. The combined size of the East and West Wings of the Courthouse Complex is 70,675 square feet. Upon completion, these two buildings will house County personnel.

Capital costs not funded with proceeds of the Certificates are expected be funded from amounts on deposit in the County's Facilities Master Plan Implementation Fund. The County does not expect that any further delay will, in and of itself, result in any substantial interference with the County's right to use or occupy the Property or any portion thereof.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-third of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. 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." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently 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, to provide 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, and in other minor or technical ways.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

On November 6, 1979, California voters approved Proposition 4, which added Article XIIIB to the California Constitution. In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January l, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January l, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The Board adopted the annual appropriation limit for Fiscal Year 2014-15 of $562,017,432. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. Based on the 2014-15 Adopted Budget, the funds subject to limitation total $174,274,280 (total General Operating Budget minus non-proceeds of taxes and debt service) and are $387,743,152 below the Article XIII B limit.

Proposition 1A

Proposition 1A (2004), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides 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 (2004) generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A (2004) 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, 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 of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A (2004) also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A (2004) requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara Case"), 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 decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al*. ("*La Habra*"). In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought. The portion of the County's taxes subject to Proposition 62, including the County's transient occupancy tax, is in compliance with Proposition 62 requirements. The County is of the opinion that Proposition 62 will not materially impact any existing or future taxes, fees and assessments collected by the County. No revenues collected by the County have been challenged under Proposition 62.

Right to Vote on Taxes Initiative – Proposition 218

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, which contain a number of provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges.

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. The voter approval requirements of Proposition 218 reduce the flexibility of the Board 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 requirements. In addition, Article XIIID contains new provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This definition applies to landscape and maintenance assessments for open space areas, street medians, street lights and parks.

Article XIIID also contains several new provisions affecting "fees" and "charges," defined for purposes of Article XIIID to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIIID, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIIIC removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. 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. "Assessment," "fee" and "charge" are not defined in Article XIIIC, and it is not clear whether the definitions of these terms in Article XIIID (which are generally property related as described above) would be applied to Article XIIIC. If the Article XIIID definitions are not held to apply to Article XIIIC, the initiative power could potentially apply to revenue sources which currently constitute a substantial portion of General Fund revenues. No assurance can be given that the voters of the County will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

The County does not currently levy any property related "fees" or "charges" which it considers subject to challenge under Proposition 218.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act" ("Proposition 26"). Proposition 26, among other things, amends Article XIII C to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIII C imposes limitations on local governments like the County when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 26, Article XIII C did not define the term "tax." Proposition 26 broadly defines a tax under Article XIII C to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law, (f) a charge imposed as a condition of property development, and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

It appears that Proposition 26 does not apply retroactively to local government. Thus, even if a fee enacted by the County prior to November 3, 2010 does not fit within any of Proposition 26's exceptions, it will nonetheless remain valid provided that the legislation authorizing it is not amended so as to extend or increase the fee. The County does not believe that it has enacted, extended or increased any fees since passage of Proposition 26 that would not be exempt from Proposition 26 or that would require voter approval pursuant to Proposition 26.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 62, 22, 26 and 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, which may place further limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expend its revenues.

THE CORPORATION

The Corporation was organized on June 21, 1989, as a nonprofit public benefit corporation pursuant to the Nonprofit Public 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 Base Rental 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.

TAX EXEMPTION

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County ("Special Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the interest component of the Base Rental Payments paid by the County under the Lease Agreement and received by the owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that such interest evidenced by the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest evidenced by the Certificates is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Special Counsel is set forth in APPENDIX D hereto.

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

Certificates purchased, whether at original execution and delivery thereof or otherwise, for an amount higher than the principal evidenced thereby payable on the scheduled principal payment date thereof (or, in some cases, at their earlier prepayment date) ("Premium Certificates") will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of obligations, like those evidenced by the Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

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

Although Special Counsel is of the opinion that interest evidenced by the Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest evidenced by, the Certificates may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the Certificates to be subject, directly or indirectly, in whole or in part, 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. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest evidenced by Certificates to some extent for high income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel is expected to express no opinion.

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

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

CERTAIN LEGAL MATTERS

Certain legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel to the County. A complete copy of the proposed form of Special Counsel opinion is contained in APPENDIX D. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Copies of this opinion will be available at the time of delivery of the Certificates. Payment of the fees and expenses of Special Counsel is contingent upon the sale and delivery of the Certificates. Certain legal matters will be passed upon for the Underwriter by its Curls Bartling P.C. Certain legal matters will be passed upon for the County by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, as Disclosure Counsel to the County, and for the County and the Corporation by County Counsel.

RATINGS

Fitch Ratings Ltd. ("Fitch") and Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (S&P), respectively, have assigned ratings of "___" and "___" to the to the Certificates. Fitch and S&P, respectively, have also assigned their underlying municipal bond ratings on the Certificates of "___" and "___" 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 by contacting them at: Fitch Ratings, One State Street Plaza, New York, New York 10004 and Standard & Poor's, 55 Water Street, New York, New York 10041. Such ratings are not a recommendation to buy, sell or hold the Certificates. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

CONTINUING DISCLOSURE

The County has agreed to provide, or cause to be provided, certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. For a complete listing of items of information which will be provided in the Annual Report, see APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT." Such information is to be provided by the County not later than nine (9) months after the end of the County's fiscal year (which currently would be April 1), commencing with the report for the 2014-15 Fiscal Year. The Annual Report will be filed by the Trustee, acting as Dissemination Agent, on behalf of the County through the Electronic Municipal Market Access (EMMA) website of the MSRB, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12. In the last five years, the County has not failed to comply in any material respect with any of its prior undertakings to provide continuing disclosure.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the County will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental or public entity pending or, to the best knowledge of the County, threatened against the

County (i) which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates, the Lease Agreement, the Ground Lease, the Trust Agreement or the Assignment Agreement, (ii) contesting the validity of the Certificate Purchase Agreement, the Lease Agreement, the Ground Lease, the Trust Agreement or the Continuing Disclosure Agreement, the powers of the County to enter into or perform its obligations under the Certificate Purchase Agreement, the Lease Agreement, the Ground Lease or the Trust Agreement, or the existence or powers of the County, or (iii) which, if determined adversely to the County, would materially impair the County's ability to meet its obligations under the Lease Agreement or materially and adversely affect the County's financial condition.

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

FINANCIAL INTEREST

The fees of Special Counsel and Underwriter's Counsel are contingent upon the execution and delivery of the Certificates. From time to time, Orrick, Herrington & Sutcliffe LLP represents Barclays Capital Inc. on matters unrelated to the Certificates.

UNDERWRITING

The Certificates are to be purchased by Barclays Capital Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at a price of $________ (reflecting an underwriter's discount of $________ from the public offering price shown on the inside cover page of this Official Statement plus net original issue premium of $________). The purchase agreement related to the Certificates provides that the Underwriter will purchase all the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase agreement, including the approval of certain legal matters by Special Counsel and certain other conditions. The Certificates may be offered and sold to certain dealers (including dealers depositing said Certificates into investment trusts) and others at prices lower than the initial public offering price, and the public offering price may be changed from time to time by the Underwriter.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the documents are on file and available for inspection at the office of the Trustee at 400 South Hope Street, Suite 400, Los Angeles, California 90071.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or Owners of any of the Certificates.

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

COUNTY OF MONTEREY, CALIFORNIA

By____

Michael J. Miller, CPA, CISA
Monterey County Auditor-Controller

APPENDIX A

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY

Population

Between 2011 and 2015 the County's population increased by approximately 2.0% compared to the State's growth of 3.4%. The following table details the yearly population growth in the County and the State.

Table A-1
County of Monterey Population Trends
Calendar Years 2011 through 2015
(As of January 1)

	County of Monterey		State of California	
Year	Population	% Change	Population	% Change
2011	416,968	0.5%	37,427,946	0.5%
2012	419,586	0.6	37,668,804	0.6
2013	422,754	0.8	37,984,138	0.8
2014	424,774	0.5	38,357,121	1.0
2015	425,413	0.2	38,714,725	0.9

Source: California Department of Finance, Demographic Research Unit.

Economy

Following is a table which summarizes key economic indicators with respect to the County for the years 2010 through 2014:

Table A-2
County of Monterey Key Economic Indicators
Calendar Years 2010 through 2014

	2010	2011	2012	2013	2014
Population	416,968	419,586	422,754	424,774	425,413
Employment	188,300	189,200	193,000	194,500	199,900
Unemployment	27,400	27,400	25,300	22,300	19,900
Unemployment rate	12.7%	12.7%	11.6%	10.3%	9.1%

Sources: Data derived from California Department of Finance, Demographic Research Unit (Population); Employment Development Department, Labor Market Information Division (Employment, Unemployment).

Employment

The following table indicates labor patterns for the County, the State and the nation.

Table A-3
Labor Force, Employment And Unemployment
Yearly Average for Years 2010 through 2014

Year, Area	Labor Force	Civilian Employment	Unemployment Rate
2010			
Monterey County	215,800	188,300	12.7%
California	18,336,300	16,091,900	12.2
United States	153,889,000	139,064,000	9.6
2011			
Monterey County	216,600	189,200	12.7%
California	18,419,500	16,260,100	11.7
United States	153,617,000	139,869,000	8.9
2012			
Monterey County	218,300	193,000	11.6%
California	18,554,800	16,630,100	10.4
United States	154,975,000	142,469,000	8.1
2013			
Monterey County	216,800	194,500	10.3%
California	18,671,600	17,002,900	8.9
United States	155,389,000	143,929,000	7.4
2014			
Monterey County	219,800	199,900	9.1%
California	18,811,400	17,397,100	7.5
United States	155,922,000	146,305,000	6.2

Sources: California State Employment Development Department, Labor Market Information Division; U.S. Department of Labor, Bureau of Labor Statistics.

The following table summarizes the historical numbers of workers in the County by industry for the years 2010 through 2014.

Table A-4
County of Monterey
Estimated Number of Wage and Salary Workers by Industry
(Not Seasonally Adjusted)

	2010	2011	2012	2013	2014
Agricultural	45,100	46,300	48,200	50,100	52,500
Natural Resources and Mining	200	200	200	200	200
Construction	4,100	3,800	4,100	4,500	4,900
Manufacturing	5,600	5,600	5,200	5,300	5,300
Wholesale Trade	5,000	4,900	5,200	5,200	5,400
Retail Trade	15,200	15,700	15,900	16,200	16,300
Transportation, Warehousing and Utilities	3,300	3,400	3,800	4,000	4,300
Information	1,700	1,600	1,500	1,500	1,400
Financial Activities	4,300	4,100	4,200	4,000	3,900
Professional and Business Services	11,500	11,500	11,400	11,300	12,500
Educational and Health Services	15,700	15,600	16,200	17,500	18,500
Leisure and Hospitality	20,000	20,200	21,200	21,900	22,900
Other Services	4,600	4,600	4,700	4,800	4,900
Government	32,600	31,700	31,300	30,200	30,300
Total All Industries	169,000	169,200	172,900	176,600	183,200

Source: California Employment Development Department, Labor Market Information Division.

Per Capita Personal Income

The following table summarizes per capita personal income for the County, the State and the nation for the years 2010 through 2014.

Table A-5
Per Capita Personal Income
For the Years 2010 through 2014

Year, Area	Per Capita Income
2010	
Monterey County	$40,705
California	42,282
United States	40,144
2011	
Monterey County	$41,958
California	44,749
United States	42,332
2012	
Monterey County	$43,411
California	47,505
United States	44,200
2013	
Monterey County	$44,851
California	48,434
United States	44,765
2014	
Monterey County	-[1]
California	$50,109
United States	46,129

[1] Data not available.
Sources: U.S. Department of Commerce and Bureau of Economic Analysis.

Largest Employers

The following table represents the major employers within the County.

Table A-6
County of Monterey
Major Employers

Company	Type of Entity
Azcona Harvesting	Harvesting-Contract
Breast Care Ctr.	Diagnostic Imaging Centers
Bud of California	Fruits & Vegetables-Growers & Shippers
California State University	Education/University
Casa Palmero	Hotels & Motels
Chiropractic Health Ctr.	Chiropractors DC
D'Arrigo Brothers Co.	Fruits & Vegetables-Growers & Shippers
Dole Fresh Vegetables Co.	Fruits & Vegetables-Growers & Shippers
Hilltown Packing Co.	Harvesting-Contract
Mann Packing Co.	Fruits & Vegetables-Growers & Shippers
Misionero Vegetables	Fruits & Vegetables-Growers & Shippers
Monterey County Social Svc. Cmmtt.	County Government
Monterey County Social Svc. Dept.	County Government
Monterey County Office of Education	School Districts
Monterey Peninsula College	Education/University
Natividad Medical Ctr.	Hospitals
Naval Postgraduate School	Education/University
Pebble Beach Co.	Resorts
Pebble Beach Resorts	Resorts
Salinas Valley Healthcare	Hospitals
Social Services Dept.	Senior Citizens Service Organization
Southern Monterey County	Hospitals
Taylor Farms	Fruits & Vegetables-Growers & Shippers
US Defense Dept.	Federal Government-National Security
US Defense Manpower Data Ctr.	Government Offices-US

Sources: America's Labor Market Information System (ALMIS) Employer Database, 2015 2nd Edition; Employer information provided by Infogroup, Omaha, NE.

Commercial Activity

As of 2013, taxable transactions in the County exceeded $5.91 billion annually. A history of taxable transactions is shown below:

Table A-7
County of Monterey
Taxable Transactions 2009 – 2013
(Dollars in Thousands)

	2009	2010	2011	2012	2013[1]
Apparel Stores Group	$ 236,631	$ 246,551	$ 265,864	$ 294,017	$ 312,175
General Merchandise Group	480,520	490,739	492,596	500,337	507,088
Food and Beverage Group	276,991	279,662	288,939	294,742	308,182
Eating and Drinking Group	531,722	554,010	581,655	637,659	677,471
Household Group	72,329	75,014	80,719	81,177	87,719
Building Material Group	260,152	236,565	276,757	287,797	317,910
Automotive Group	471,863	527,742	581,680	666,429	742,343
All Other Retail Stores Group	190,409	187,836	187,146	191,020	198,718
Retail Stores Totals	3,255,804	3,423,370	3,680,776	3,927,095	4,137,019
All Other Outlets	1,450,041	1,532,192	1,631,956	1,710,350	1,773,512
Total All Outlets	$4,705,845	$4,955,562	$5,312,732	$5,637,445	$5,910,531

[1] Most recent calendar year data available.
Source: Taxable Sales, California State Board of Equalization.

Construction Activity

Building permit activity for the years 2010 through 2014 is summarized below.

Table A-8
County of Monterey
Building Permit Valuation
(Dollars in Thousands)

	2010	2011	2012	2013	2014
Valuation					
Residential	$142,944	$130,188	$154,053	$168,823	$166,058
Nonresidential	85,215	64,543	94,390	104,698	154,341
Total	$228,159	$194,731	$248,443	$273,521	$320,399
New Housing Units					
Single Family	118	130	107	190	236
Multiple Family	167	26	131	252	85
Total	285	156	238	442	321

Source: Construction Industry Research Board.

Agriculture

The following table provides a summary of agricultural production within the County for the years 2009 through 2013:

Table A-9
County of Monterey
Agricultural Production

	2009	2010	2011	2012	2013[1]
Fruit and Nut Crops	$ 1,042,685,000	$ 987,693,000	$ [914,685]	$ 1,057,684,000	$ 1,159,589,000
Vegetable Crops	2,631,763,000	2,677,072,000	2,596,683,000	2,557,772,000	2,833,775,000
Field Crops	14,972,000	15,230,000	16,824,000	19,338,000	19,990,000
Seed Crops	9,306,000	9,984,000	9,404,000	8,550,000	8,803,000
Nursery Crops	294,572,000	266,121,000	260,703,000	307,543,000	312,346,000
Apiary	46,200	242,000	228,000	204,000	195,000
Livestock & Poultry	40,374,000	49,893,000	54,468,000	53,126,000	45,024,000
Totals	$4,033,718,000	$4,006,235,000	$3,852,995,000	$4,004,217,000	$4,379,722,000

(1) Most recent data available.
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 second period enrollment in the 2014-15 school year is approximately 75,997.

Table A-10
County of Monterey
Public School Enrollment
For Fiscal Years 2010-11 through 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
K – 8	50,721	52,064	53,016	54,090	55,016
9 – 12	20,510	20,614	20,444	20,522	20,903
Special Classes	6,718	6,840	6,929	7,265	[1]
Total	71,232	72,678	73,460	74,684	75,997

[1] Data not available.
Source: California Department of Education, Educational Demographic Unit.

The County is served by a 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 15,071 students. Monterey Peninsula College is located in the City of Monterey and has an enrollment of approximately 22,000. Both colleges offer courses off campus. The Monterey Institute of International Studies is located in the City of Monterey and has an enrollment of approximately 700. 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 4,000.

APPENDIX B

COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

Upon delivery of the Certificates, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel, proposes to render its final approving opinion with respect to the Certificates in substantially the following form:

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Certificates, payment of principal and interest evidenced by the Certificates to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Certificates, and other Certificates-related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the County and the Corporation each believes to be reliable, but the County and the Corporation take no responsibility for the completeness or accuracy thereof.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

Purchases of 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 Certificate ("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 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 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 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 Trust Agreement and Lease Agreement. For example, Beneficial Owners of 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 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on 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 County or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or 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, certificates are required to be printed and delivered.

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

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.

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement"), dated as of _____ 1, 2015, is by and between the COUNTY OF MONTEREY, a county and political subdivision of the State of California organized and existing under and by virtue of the laws of the State of California (the "County"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as Trustee (the "Trustee").

W I T N E S S E T H :

WHEREAS, the County has caused to be executed and delivered the County of Monterey Certificates of Participation (2015 Public Facilities Financing) (the "Certificates"), evidencing principal in the aggregate amount of $________, pursuant to the Trust Agreement, dated as of _____ 1, 2015 (the "Trust Agreement"), by and between the County and the Trustee; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the County and the Trustee for the benefit of the owners and beneficial owners of the Certificates and in order to assist the underwriters of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Trust Agreement.

"Annual Report" means any Annual Report provided by the County pursuant to, and as described in, Sections 2 and 3 hereof.

"Annual Report Date" means the date in each year that is the first day of the month following the ninth month after the end of the County's fiscal year, which date, as of the date of this Disclosure Agreement, is April 1.

"County" means the County of Monterey, a county and political subdivision of the State organized and existing under the laws of the State, and its successors.

"Disclosure Representative" means the County Administrative Officer of the County, the Auditor-Controller of the County, the Deputy Auditor-Controller, County Debt Manager, of the County, or such other person as the County shall designate in writing to the Trustee from time to time.

"Dissemination Agent" means the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the Trustee a written acceptance of such designation.

"Trust Agreement" means the Trust Agreement, dated as of _____ 1, 2015, by and among The Bank of New York Mellon Trust Company, N.A., as Trustee, the Corporation and the County, as originally executed and as it may be amended or supplemented from time to time in accordance with its terms.

"Listed Events" means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" means the Official Statement, dated August __, 2015, relating to the Certificates.

"Participating Underwriter" means any of the original underwriters of the Certificates required to comply with the Rule in connection with the 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 the same may be amended from time to time.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as Trustee under the Trust Agreement, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports. (a) The County shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report that is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2014-15 Fiscal Year. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the County, if any, may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the County and the Dissemination Agent to determine if the County is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Trustee shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide each Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the County and (if the Dissemination Agent is not the Trustee) the Trustee certifying that such Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) The County's audited financial statements, if any, 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, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements, in a format similar to that used for the County's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) An update for the then current fiscal year of the information contained in the tables with the following headings in the Official Statement:

Table 1 – County of Monterey – General Fund Balance Sheet;

Table 2 – County of Monterey – General Fund Statement of Actual Revenues, Expenditures and Changes in Fund Balance;

Table 3 – County of Monterey – General Fund Budgets;

Table 5 – County of Monterey Transient Occupancy Tax Receipts;

Table 6 – County of Monterey Historical Taxable Sales and Sales Tax Receipts;

Table 7 – County of Monterey – Assessed Valuation;

Table 7 – County of Monterey – Secured Tax Levies and Delinquencies;

Table __ – County of Monterey – Ten Largest Taxpayers;

Table __ – County of Monterey – General Fund Long-Term Debt Outstanding;

Table __ – Employer Contribution Rates to Retirement System, UAAL and Funded Ratios – Safety Plan;

Table __ – Employer Contribution Rates to Retirement System, UAAL and Funded Ratios – Miscellaneous Plan;

An update of the information regarding contribution rates and costs in the Official Statement under the caption "COUNTY FINANCIAL INFORMATION – Pension Benefits"; and

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 the preceding paragraphs (a) and (b), the County shall provide such further 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.

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, that have been made available to the public on the MSRB's website. The County shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not later than ten business days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

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

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

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

(v) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).

(vi) Tender offers.

(vii) Defeasances.

(viii) Rating changes.

(ix) Bankruptcy, insolvency, receivership or similar event of the County.

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. 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 governmental 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.

(b) Pursuant to the provisions of this Section, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) Unless described in paragraph (v) of subsection (a) of this Section, material notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates.

(ii) Modifications to rights of holders of the Certificates.

(iii) Optional, unscheduled or contingent Certificate calls.

(iv) Release, substitution, or sale of property securing repayment of the Certificates.

(v) Non-payment related defaults.

(vi) The consummation of a merger, consolidation, or acquisition involving an County or the sale of all or substantially all of the assets of the County 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.

(vii) Appointment of a successor or additional Trustee or the change of name of a Trustee.

(c) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event:

(d) Whenever the County obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the County shall determine if such event would be material under applicable Federal securities law.

(e) Whenever the County obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the County shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (vii) of subsection (a) of this Section and (iii) of subsection (a) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Trust Agreement.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement 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, or cause to be given, notice of such termination in a filing with the MSRB.

Section 7. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the County. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the County, so long as such amendment does not adversely affect the rights or materially increase the obligations of the Trustee), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 hereof, 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 the 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 (i) is approved by Owners of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the County shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 10. Default. In the event of a failure of the County, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate amount of principal evidenced by the Outstanding Certificates, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner 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, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the County, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement To the extent permitted by law, the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur 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, and which are not due to its negligence or its willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Trustee, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

COUNTY OF MONTEREY

By____
Auditor-Controller

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE

By____
Authorized Signatory

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Monterey

Name of Issue: County of Monterey Certificates of Participation (2015 Public Facilities Financing)

Date of Issuance: August __, 2015

NOTICE IS HEREBY GIVEN that the County of Monterey (the "County") has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Agreement, dated as of _____ 1, 2015, by and between the County and The Bank of New York Mellon Trust Company, N.A., as Trustee. [The County anticipates that such Annual Report will be filed by ____________.]

Dated: _________________

The Bank of New York Mellon Trust Company, N.A., as Trustee, on behalf of the County of Monterey

By_______________________________________

Authorized Signatory

cc: County of Monterey