

Refunding Update for the 2009 and 2010 Certificates of Participation:

Given the current low tax-exempt interest rate environment and a general decline in interest rates throughout capital markets, the County Administrative Office has actively monitored refunding opportunities for its outstanding County of Monterey Certificates of Participation 2009 Refinancing Project Certificates of Participation (the 2009 COPs) and 2010 Refinancing Project Certificates of Participation (the 2010 COPs) (together, the COPs).

As a measure of the interest rate movement over the last year, the rate on the 10-Year US Treasury yield has dropped from 3.17% a year ago to 1.77% on October 23, 2019. Similarly, the benchmark 10-Year tax-exempt rate has declined from 2.70% to 1.51% over the past year. Due to the notable downward shift in interest rates, the County's outstanding COPs can be refinanced to generate debt service savings.

REFUNDING ANALYSIS:

The County anticipates selling the Refunding COPs on November 20, 2019; closing the transaction on December 3, 2019; and having the COPs fully refunded on the redemption date of February 1, 2020. Based on current market rates, the County is projected to sell \$29.5 million in par and generate \$4.4 million in premium to produce \$33.9 million in total proceeds from the sale of the Refunding COPs. Of these proceeds, \$33.5 million would be used to refund \$15.7 million of the outstanding 2009 COPs and \$17.2 million of the outstanding 2010 COPs. All costs of issuance (including underwriters discount) will be paid from the remaining proceeds.

Based on current market rates, it is estimated that the combined refunding will produce approximately \$2.9 million in net present value savings and \$3.1 million in gross cashflow savings – generating approximately \$340,815 of average annual budgetary savings for the Natividad Medical Center as shown in the table below. Please note, actual savings results will depend on market movements between now and the anticipated sale date.

| Sources of Funds: | |
|--|---------------------|
| Par Amount: | \$29,475,000 |
| Premium: | 4,373,212 |
| | \$33,848,212 |
| Uses of Funds: | |
| Refunding Escrow Requirement: | \$33,481,172 |
| Costs of Issuance: | 367,039 |
| | \$33,848,212 |
| Summary of Refunding Savings: | |
| True Interest Cost (TIC): | 1.633% |
| Par Amount of Refunded Bonds: | \$32,860,000 |
| % Savings of Refunded Bonds: | 9.0950% |
| Net Present Value (PV) Savings: | \$2,988,633 |
| Gross Cash Flow Savings: | \$3,067,331 |

Savings Schedule

| Date | Prior Debt Service | Refunding Debt Service | Nominal Savings |
|--------------|---------------------------|-------------------------------|------------------------|
| 6/30/2020* | 715,084 | 478,969 | 236,116 |
| 6/30/2021 | 5,023,788 | 4,671,750 | 352,038 |
| 6/30/2022 | 5,055,513 | 4,702,750 | 352,763 |
| 6/30/2023 | 5,041,594 | 4,689,625 | 351,969 |
| 6/30/2024 | 5,056,941 | 4,702,375 | 354,566 |
| 6/30/2025 | 5,094,281 | 4,739,250 | 355,031 |
| 6/30/2026 | 5,105,750 | 4,749,750 | 356,000 |
| 6/30/2027 | 5,121,925 | 4,768,750 | 353,175 |
| 6/30/2028 | 2,718,300 | 2,362,625 | 355,675 |
| Total | \$38,933,175 | \$35,865,844 | \$3,067,331 |

*Partial year prior debt service.