



County of Monterey

Budget Committee Meeting

November 14, 2025



2001 Addison Street, Suite 100, Berkeley, CA 94704
phone 510-839-8200

Role of the Municipal Advisor

- KNN Public Finance, LLC (KNN) is the County of Monterey's "Municipal Advisor".
- Our role is to provide the County with independent, objective analysis and advice to assist the County in making prudent decisions about debt financing. We provide both planning and transaction execution services.
- KNN is a Registered Municipal Advisor with the SEC and MSRB. All advisors are Registered Municipal Representatives (MSRB Series 50).
 - SEC rules assign a fiduciary duty to the Municipal Advisor, including duty of loyalty and duty of care. By law, we must put our clients' interest ahead of our own.
 - SEC rules require issuers to have an Independent Registered Municipal Advisor (IRMA) under contract in order for broker-dealers to be able to provide tailored ideas or advice, with limited exceptions.
- KNN currently provides Municipal Advisor services to 35 counties in California.
- Today's meeting is to provide an update of the refunding economics of the 2015 COPs.

The 2015 Certificates of Participation

- The County's Certificates of Participation (2015 Public Facilities Financing) (the "2015 COPs") were originally issued to finance the acquisition, construction, and improvements to 1441 Schilling Place and renovations to the Courthouse Complex.
- The 2015 COPs are callable with no pre-payment penalty as of October 1, 2025 on any date.
- The following properties currently serve as the leased facilities under the 2015 COPs:
 - The Schilling Place Complex
 - Courthouse Complex

Maturity Date	Principal Amount	Coupon
10/1/2026	\$1,200,000	5.00%
10/1/2027	1,265,000	5.00%
10/1/2028	1,330,000	5.00%
10/1/2029	1,395,000	5.00%
10/1/2030	1,465,000	5.00%
10/1/2031	1,540,000	5.00%
10/1/2032	1,620,000	5.00%
10/1/2033	1,695,000	3.625%
10/1/2034	1,765,000	5.00%
10/1/2035	1,860,000	5.00%
10/1/2038*	6,170,000	5.00%
9/1/2045*	<u>17,880,000</u>	4.00%
Total:	\$39,185,000	

* Term bonds.

Summary of Refunding Economics

Sources:

Par Amount:	\$35,210,000
Bond Premium:	4,423,023

Total Sources: \$39,633,023

Uses

Refunding Escrow Deposit: ¹	\$39,203,186
Cost of Issuance: ²	250,000
Underwriter's Discount: ³	176,050
Bond Rounding:	3,787

Total Uses: \$39,633,023

True Interest Cost: ⁴	3.66%
Total Gross Savings:	\$2,855,887
Average Annual Gross Savings:	\$143,288
Present Value Savings (\$): ⁵	\$2,140,165
Present Value Savings (%): ⁵	5.46%

Footnotes

1. Assumes purchase of SLGS securities to fund escrow, rate as of November 6, 2025.
2. Costs of issuance includes estimated fees for bond and disclosure counsel, municipal advisor, rating agency, trustee, financial printer, verification agent, etc.
3. Underwriter's Discount assumed at \$5.00 per \$1,000 of bond par amount.
4. Reflects market conditions for "AA" category COPs as of November 6, 2025. Preliminary and subject to change.
5. Present values calculated at arbitrage yield of 2026 COPs, estimated to be 3.18%.

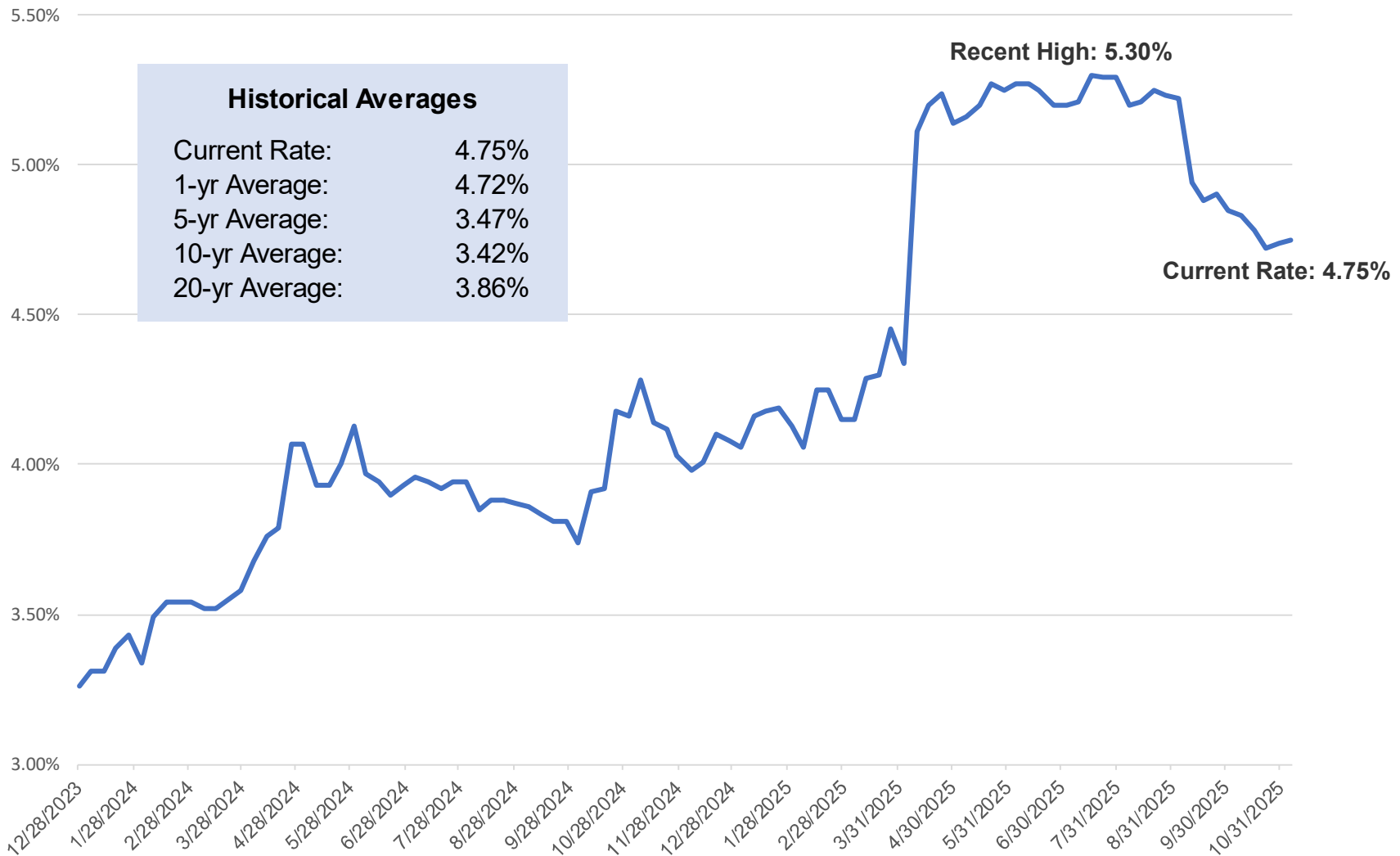
Estimated Cash Flow Savings

Fiscal Yr. Ending	Existing 2015 COP Payments	Estimated 2026 Refunding Payments	Gross Savings	Present Value Savings ¹
2027	\$2,927,144	\$2,784,250	\$142,894	\$140,743
2028	2,930,519	2,785,375	145,144	138,581
2029	2,930,644	2,788,625	142,019	131,451
2030	2,927,519	2,784,000	143,519	128,777
2031	2,926,019	2,781,500	144,519	125,711
2032	2,925,894	2,780,875	145,019	122,294
2033	2,926,894	2,781,875	145,019	118,564
2034	2,930,672	2,789,125	141,547	112,062
2035	2,925,825	2,782,625	143,200	109,908
2036	2,930,200	2,787,250	142,950	106,373
2037	2,929,825	2,787,625	142,200	102,595
2038	2,929,575	2,788,625	140,950	98,604
2039	2,929,200	2,785,125	144,075	97,716
2040	2,930,000	2,786,875	143,125	94,010
2041	2,927,800	2,783,625	144,175	91,699
2042	2,926,900	2,785,125	141,775	87,316
2043	2,927,100	2,786,000	141,100	84,135
2044	2,928,200	2,786,000	142,200	82,081
2045	2,930,000	2,784,875	145,125	81,084
2046	2,917,833	2,772,625	145,208	82,677
Total:	\$58,557,762	\$55,692,000	\$2,865,762	\$2,136,378
			Plus Rounding:	\$3,787
			Total PV Savings:	\$2,140,165

1. Present values calculated at arbitrage yield of 2026 COPs, estimated to be 3.18%.

Tax-Exempt Interest Rate Environment

**Bond Buyer 20-Bond Index*
(20-year tax-exempt Rate)**



Source: *The Bond Buyer*.

*General obligation bonds maturing in 20 years are used in compiling the indexes. The 20-bond index has an average rating equivalent to Moody's Aa2 and S&P's AA.

Sensitivity Analysis

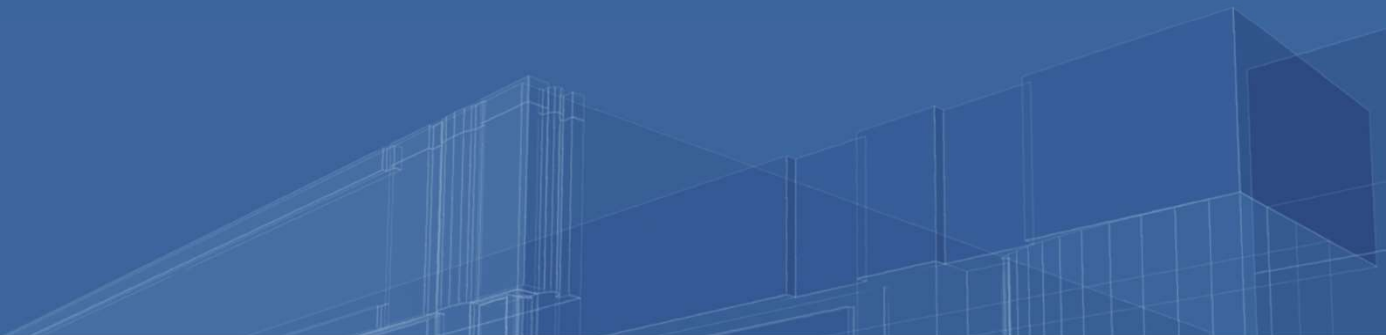
	Current Market
Total Gross Savings:	\$2,855,887
Average Annual Savings:	\$143,288
Total Present Value Savings (\$):	\$2,140,165
Present Value Savings (%):	5.46%
True Interest Cost:	3.66%

50 Basis Points Lower in Yield	25 Basis Points Lower in Yield	25 Basis Points Higher in Yield	50 Basis Points Higher in Yield
\$4,685,762	\$3,785,262	\$1,941,137	\$1,010,387
\$234,288	\$189,263	\$97,057	\$50,519
\$3,641,466	\$2,879,147	\$1,425,944	\$734,136
9.29%	7.35%	3.64%	1.87%
3.29%	3.47%	3.85%	4.04%

Next Steps

- November and December 2025:
 - Develop bond and disclosure documents, including minimum savings threshold
 - Refine asset pledge
- January 2026:
 - Meet with credit rating agency
 - Board of Supervisors approval of financing Resolution
- February 2026: COP pricing (anticipate competitive sale)
- Two Weeks Post pricing: COP closing

Appendix



Key Features of Certificates of Participation

- Contingent Obligation– does not require voter approval.
- General fund credit – covenant to annually budget and appropriate lease payments.
- Pledged asset(s) – real property pledged for term of the financing.
 - Existing County asset or project to be financed by COP proceeds. The latter may necessitate funding capitalized interest.
 - Key factors of asset pledge relevant to investors: essentiality, value and useful life.
- Subject to Abatement – COP payments are subject to the use and occupancy of pledged asset(s) and can be “abated” if asset is damaged or unable to be occupied.
- Structured with level annual debt service payments.

Sample Payment Schedule

