PRELIMINARY OFFICIAL STATEMENT DATED _________, 2019

NEW ISSUE – FULL BOOK–ENTRY **RATING: S&P: "__"**
See "RATING"

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

$_____________*
2019 Certificates of Participation
(Jail Facility Project)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof In
Lease Payments to be Made by
SAN BENITO COUNTY
As the Rental for Certain Leased Property Pursuant to a
Lease Agreement with the
SAN BENITO COUNTY FINANCING CORPORATION

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

Certificates. The Certificates of Participation evidence and represent direct, undivided fractional interests of the Owners thereof in the Lease Payments (which include principal and interest components) to be made by San Benito County, (the "County"), for the right to the use of certain real property and improvements thereon (the "Leased Property") within the County pursuant to that certain Lease Agreement, dated as of February 1, 2019 (the "Lease Agreement"), by and between the County, as lessee, and the San Benito County Financing Corporation (the "Corporation") as lessor. The Certificates are being executed and delivered to provide funds to provide money for the acquisition of land and the improvement of capital facilities of the County, to fund a reserve fund, and to pay certain costs incurred in connection with execution and delivery of the Certificates.

Payment Terms*.* The Certificates will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers of the Certificates will not receive certificates representing their interests in the Certificates. Payments of the principal of and interest on the Certificates will be made to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Certificates. Interest on the Certificates is payable on April 1 and October 1, commencing October 1, 2019 (each, an "Interest Payment Date"). See "THE CERTIFICATES– General Provisions."

Prepayment Prior to Maturity*.* The Certificates are subject to prepayment prior to their maturity as more fully described in this Official Statement. See "THE CERTIFICATES– Prepayment."

Security for the Certificates. The County has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments. *The Lease Payments, however, are subject to abatement under certain circumstances, as described herein.*

The Certificates will be initially delivered only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Certificates. Interest and principal represented by the Certificates are payable by Wells Fargo Bank, N.A., as Trustee, to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Certificates. See "THE CERTIFICATES – Book-Entry Only System" and "– General."

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

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

NEITHER THE CERTIFICATES, NOR THE OBLIGATION OF THE CORPORATION TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE COUNTY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE CORPORATION, THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE COUNTY. THE CERTIFICATES ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE TRUST AGREEMENT. THE CERTIFICATES ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE COUNTY.

MATURITY SCHEDULE
(see inside cover)

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

The Certificates will be offered when, as and if issued and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the County. Certain matters will be passed upon for the County by the Office of County Counsel. It is anticipated that the Certificates, in book entry only form, will be available for delivery through the facilities of DTC on or about _____________, 2019.

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

**Preliminary; subject to change.*

MATURITY SCHEDULE

BASE CUSIP†: _____

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

$___________ _______% Term Certificates Due October 1, 20__; Yield:____%; Price: _______; CUSIP: _______

$___________ _______% Term Certificates Due October 1, 20__; Yield:____%; Price: _______; CUSIP: _______

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* *Preliminary; subject to change.*

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

SAN BENITO COUNTY

SAN BENITO COUNTY
BOARD OF SUPERVISORS

Mark Medina, District 1
Anthony Botelho, District 2
Peter Hernandez, District 3
Jim Gillio, District 4
Jaime De La Cruz, District 5

COUNTY OFFICIALS

Ray Espinosa, *County Administrative Officer*
Melinda Casillas, *Treasurer-Tax Collector-Public Administrator*
Joe Paul Gonzalez, *County Clerk-Auditor-Recorder*
Tom Slavich, *Assessor*
Barbara Thompson, Esq., *County Counsel*

SAN BENITO COUNTY FINANCING CORPORATION

Mark Medina, *President*
Jaime De La Cruz, *Vice President*
Melinda Casillas, *Secretary-Treasurer*

SPECIAL COUNSEL and DISCLOSURE COUNSEL
Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR
KNN Public Finance, LLC
Oakland, California

TRUSTEE

Wells Fargo Bank, N.A.
Los Angeles, California

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This Official Statement (which includes the cover page and Appendices hereto) (the "**Official Statement**") provides certain information concerning the execution, sale and delivery of the San Benito County Financing Corporation 2019 Certificates of Participation (Jail Facility Project) (the "**Certificates**").

INTRODUCTION

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

Issuance of Certificates. The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of February 1, 2019 (the "**Trust Agreement**"), by and among Wells Fargo Bank, N.A. as trustee (the "**Trustee**"), the San Benito County Financing Corporation (the "**Corporation**") and San Benito County (the "**County**"). The Certificates are being executed and delivered in denominations of $5,000 or any integral multiple thereof. Interest will accrue on the principal components of each Certificate at the applicable interest rate (as set forth on the cover hereof) from the Dated Date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1, commencing October 1, 2019. The Certificates are subject to prepayment as described herein. See "THE CERTIFICATES – Prepayment."

Use of Proceeds. The net proceeds of the sale of the Certificates will be used (i) to provide for the financing of a portion of the cost of improving the real property located at 2301 Technology Parkway in Hollister, to be used as a future County jail, (ii) to provide for a reserve fund for the Certificates and (iii) to pay certain costs incurred in connection with the execution and delivery of the Certificates.

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* Preliminary, subject to change.

Ownership of Certificates. The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the "**Owners**") thereof in Lease Payments (as defined herein) to be made by the County for the right to the use of certain capital facilities (the "**Leased Property**"), pursuant to a Lease Agreement, dated as of February 1, 2019 (the "**Lease Agreement**"), by and between the Corporation, as sublessor, and the County, as sublessee. In order to facilitate the transfer contemplated by the Lease Agreement, the County will lease the Leased Property to the Corporation pursuant to a Site Lease, dated as of February 1, 2019 (the "**Site Lease**"), by and between the County, as lessor and the Corporation, as lessee.

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

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

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

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

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

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

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

THE FINANCING PLAN

The Project

The net proceeds of the sale of the Certificates will be used (i) to provide funds financing a portion of the cost of improving the real property located at 710 Flynn Road in Hollister, to be used as a future County jail (the "**Project**"), (ii) to provide for a reserve fund for the Certificates and (iii) to pay certain costs incurred in connection with the execution and delivery of the Certificates.

Estimated Sources and Uses of Funds

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

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

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

THE LEASED PROPERTY

Under the Lease Agreement, the County leases the Leased Property from the Corporation. The Leased Property is the approximately 42,000-square foot County sheriff administration building, which was constructed in 1995 and is located at 2301 Technology Parkway, Hollister, California. The Leased Property may be substituted or removed by the County upon satisfaction of certain conditions set forth in the Lease Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution or Removal of Leased Property" below.

THE CERTIFICATES

General

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

The Certificates will be executed and delivered in principal amounts of $5,000 or integral multiples thereof. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from the Dated Date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1 (each, an "**Interest Payment Date**"), commencing October 1, 2019.

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

Registration, Transfers and Exchanges

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

Prepayment*

Optional Prepayment. The Certificates maturing on or before October 1, 2028 are not subject to optional prepayment prior to their respective stated maturities. The Certificates maturing on or after October 1, 2029 are subject to prepayment prior to their respective stated maturities, at the option of the County, in whole, or in part among such maturities as are designated by the Corporation in integral multiples of $5,000, on any date on or after October 1, 2028 from prepayments of the Lease Payments made pursuant to the Lease Agreement, at a prepayment price equal to the principal amount of the Certificates or portions thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Special Mandatory Prepayment From Insurance or Condemnation Proceeds. The Certificates are also subject to mandatory prepayment on any date, in whole or in part, from the Net Proceeds of insurance or an eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment.

Mandatory Sinking Fund Prepayment. The Certificates maturing on October 1 in each of the years 20___ and 20___ (the "**Term Certificates**"), are subject to mandatory sinking fund prepayment prior to their respective stated maturities, in the amounts and years set forth below, at the prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment.

Mandatory Sinking Fund Prepayment of
Term Certificates Maturing
October 1, 20__

Sinking Fund Prepayment Date (October 1)	Principal Amount To Be Prepaid
	$

Mandatory Sinking Fund Prepayment of
Term Certificates Maturing
October 1, 20__

Sinking Fund Prepayment Date (October 1)	Principal Amount To Be Prepaid
	$

Notice of Prepayment. Notice of prepayment will be mailed by the Trustee, first class, postage prepaid, not more than 60 and not less than 20 days before any prepayment date, to the respective registered Owners of any Certificates designated for prepayment at their addresses appearing on the registration books maintained by the Trustee and to one or more Securities Depositories and the Municipal Securities Rulemaking Board. Neither the failure to receive any notice nor any defect therein will affect the proceedings for such prepayment.

* Preliminary, subject to change.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of less than all of the Certificates of a single maturity or series, the Trustee will select the Certificates to be prepaid from all Certificates of that maturity or series to be prepaid by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, Certificates will be deemed to be comprised of $5,000 portions and each portion will be subject to prepayment as if such portion were a separate Certificate.

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

Rescission of Prepayment. The Corporation has the right to rescind any notice of optional prepayment of Certificates by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default. The Corporation and the Trustee have no liability to the Certificate Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent under the Trust Agreement.

Book-Entry Only System

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

The Depository Trust Company, New York, NY, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments of principal of, premium, if any, and interest evidenced by the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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

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

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

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

LEASE PAYMENT SCHEDULE

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

Lease Payment Date*	Principal Component	Interest Component	Aggregate Lease Payment

* Lease Payments are payable 15 calendar days prior to the Interest Payment Dates shown above.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

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

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

Lease Payments

For the right to the use and occupancy of the Leased Property, the Lease Agreement requires the County to make Lease Payments. Scheduled Lease Payments relating to the Certificates are set forth above under the heading "LEASE PAYMENT SCHEDULE."

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

Additional Payments

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

Covenant to Appropriate Funds for Lease Payments or Additional Payments

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

Abatement

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

Action on Default

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

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

[Reserve Fund

A reserve fund (the “**Reserve Fund**”) is established from proceeds of the Certificates pursuant to the Trust Agreement and will be held by the Trustee in trust for the benefit of the Owners of the Certificates. The Reserve Fund shall be maintained in the amount of the “**Reserve Requirement**”, which is defined to be an amount equal to 100% of the lesser of: (i) 10% of the issue price of the Certificates then Outstanding; (ii) 125% of average annual Lease Payments coming due and payable; or (iii) maximum annual Lease Payments coming due and payable.

If on any Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest represented by the Certificates then coming due and payable, the Trustee will apply the moneys available in the Reserve Fund to make delinquent Lease Payments on behalf of the County by transferring the amount necessary for this purpose to the Lease Payment Fund. Upon receipt of any delinquent Lease Payment or portion thereof with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment or portion thereof shall be deposited in the Reserve Fund to the extent of such advance.

Pursuant to the Trust Agreement, any moneys held by the Trustee in the Reserve Fund will be invested by the Trustee upon the written request of the County only in Permitted Investments (as defined in the Trust Agreement). All cash amounts on deposit in the Reserve Fund at any time in excess of the Reserve Requirement, and all amounts derived from the investment of amounts in the Reserve Fund which are not required to be retained therein to maintain the Reserve Requirement, shall be transferred by the Trustee to the Lease Payment Fund.]

Insurance

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

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

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

Self-Insurance. The County has been self-insured for workers' compensation and general liability since 1993. The current self-insured level is $350,000 per claim for workers' compensation and $300,000 per incident for general liability. The County participates in the California State Association of Counties (CSAC) - Excess Insurance Program for excess insurance up to a maximum of $25 million for liability insurance and the statutory limit for worker's compensation insurance.

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

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

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

Substitution or Removal of Leased Property

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

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

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

(b) The County shall take all actions and shall execute all documents required to subject such Substitute Property to the terms and provisions of the Lease Agreement, including the filing with the Corporation and the Trustee an amended exhibit thereto which adds a description of such Substitute Property and deletes the description of such Former Property, and including the recordation of the Lease Agreement or a memorandum thereof with respect to such Substitute Property in the office of the San Benito County Clerk-Recorder;

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

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

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

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

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

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

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

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

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

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State. The Corporation was established for the purpose of facilitating the financing of public projects in the County. The Board of Directors of the Corporation is composed of the sitting members of the Board of Supervisors of the County.

THE COUNTY AND COUNTY FINANCIAL INFORMATION

County Government

The City of Hollister is the seat of the County. The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The five members of the County Board of Supervisors (the "**Board**") are elected to four-year terms in staggered years. Also elected are the Assessor-Recorder-County Clerk, Auditor-Controller, District Attorney/Public Administrator, Sheriff/Coroner and the Treasurer-Tax Collector. A County Executive Officer appointed by the Board runs the day-to-day business affairs of the County. The current Board and the expiration date of their respective terms of office are shown in the following table.

San Benito County
Board of Supervisors

Member	Area	Term Expires
Mark Medina	District 1	January 2021
Anthony Botelho	District 2	January 2021
Peter Hernandez	District 3	January 2023
Jim Gillio	District 4	January 2023
Jaime De La Cruz	District 5	January 2021

The following are brief resumes of key County Managers.

Ray Espinosa, County Administrative Officer. [BIO TO COME.]

Melinda Casillas, Treasurer-Tax Collector-Public Administrator. Melinda Casillas is the Treasurer-Tax Collector-Public Administrator for the County and has been a resident of the County for the past 30 years. She received her bachelor's degree in accounting from California State University at Fresno. In 1989, Ms. Casillas began working for the County of San Benito Auditor's office. She worked in the Auditor's office for 12 years, holding the position of Assistant Auditor for seven of those years. She then left the Auditor's office to assist in the accounting department of her husband's farming business. She also worked for a trucking company in Hollister as the assistant to the controller. Over the years, she assisted the County on various special projects in the Auditor's office and Administration office. In 2013, she returned to the County full time, where she held the position of Budget Officer for five years. In June 2018, she was elected to be the Treasurer-Tax Collector-Public Administrator effective January 2019.

Joe Paul Gonzalez, County Clerk-Auditor-Recorder. Joe Paul Gonzalez was born and raised in San Benito County. After graduating from the San Benito Joint Union High School, Mr. Gonzalez attended Gavilan Community College located in Santa Clara County, earning his Associates of Arts degree in 1977. In that year, Mr. Gonzalez began employment with Leiber & Riksheim LLP, a small CPA firm in Oakland while attending the University of California, Berkeley and the California State University, East Bay. In 1979, Mr. Gonzalez earned a Bachelor's of Science degree in Accounting with honors from the CSUEB School of Business. Shortly after being elected to the City Council of the City of Hollister, the County seat, in 1986, Mr. Gonzalez while sitting on the City's Redevelopment Agency pursued the issuance of Tax Allocation Bonds for the City's Sanitation Plant Development Project. During this period of time, Mr. Gonzalez continued his formal education at San Jose State University earning a Master's of Business Administration degree in 1990. After working with the County's Auditor's Office for several years in increasing professional accounting positions of responsibility, he was first elected Clerk, Auditor and Recorder in 2006. In June 2018, he was elected to his fourth term of the consolidated Office. He is an active member of the California State Association of County Auditors (SACA) serving on the Accounting Standards and Procedures, Policy and Interpretation, and Legislative Committees. He has served as Chair of the Audit Committees for both the California Association of Clerks and Election Officials (CACEO) and the County Recorders Association of California (CRAC).

Barbara Thompson, Esq., County Counsel. Barbara Thompson is currently serving as the San Benito County Counsel. She has been an employee of San Benito County since 2008. Previous to her appointment as County Counsel, she served as Assistant County Administrative Officer (2015-2017), and Assistant County Counsel (2008-2015). Prior to relocating to San Benito County, Barbara Thompson served as legal counsel to Plumas County in the capacity of County Counsel (2004-2008), Interim County Counsel (2003-2004), and Deputy County Counsel (2002-2003). She also had previous experience as a Deputy County Counsel in Kings County and as a contract public defender in Fresno, California. She received her J.D. degree from the University of Southern California in 1998, her M.A. degree from the University of Southern California in 1994, and her bachelor's degree from the University of Redlands in 1989.

County Services

The County provides a wide range of services to its residents, including law enforcement, judicial support, medical and health services, senior citizen assistance, a variety of public assistance programs, library services, and consumer affairs. Other services which are governed by the Board of Supervisors include airport service, parks, road maintenance, and fire protection.

Some municipal services are provided by the County, on a contract basis, to incorporated cities within the County's boundaries. This plan is designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and providing related facilities and equipment. Under the plan, the County provides services to a city at the same level as provided in unincorporated areas, or at any higher lever the city may choose. Services are provided at cost.

Employees

A summary of County budgeted full-time equivalent positions is set forth below.

San Benito County
Employees
Fiscal Years 2012 to 2019

As of June 30	Budgeted Number of Full-Time Equivalent Employees
2012	440.75
2013	380.30
2014	398.95
2015	419.95
2016	456.20
2017	470.65
2018	511.10
2019	524.10

Source: San Benito County.

Collective Bargaining

A majority of County employees are in four bargaining units. These four units include the Service Employees International Union ("SEIU"), the AFL-CIO, CLC, and Local 521, and are collectively organized to represent the San Benito County Employees. The units negotiated a two-year contract in 2017 which is scheduled to expire September 30, 2019.

The County enjoys a successful and positive employee relations program, including successful negotiations of cost effective agreements over the years.

Education

Public instruction in the County is provided by a total of ten school districts, the largest of which, Hollister Elementary School District, has approximately 5,598 students enrolled.

For certain general and demographic information regarding the County, see "APPENDIX B – General Information About San Benito County."

County Finances

The following selected financial information provides a brief overview of the County's finances. This financial information has been extracted from the County's audited financial statements and, in some cases, from unaudited information provided by the County's Auditor-Controller. See "APPENDIX C – Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017."

Accounting Policies and Financial Reporting

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/net position, 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 basis of accounting for all funds is more fully explained in the "Note 1- Summary of Significant Accounting Policies" contained in Appendix C.

The Board of Supervisors of the County (the "**Board of Supervisors**") employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the Board of Supervisors, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the County in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the Board of Supervisors and a copy of the financial statements as of the close of the fiscal year is published. The County's Comprehensive Annual Financial Report for Fiscal Year 2016-17 was prepared by CliftonLasonAllen LLP, 925 Highland Pointe Drive, Suite 450, Roseville, California 95678.

General Fund Financial Summary

The audited information contained in the following tables of revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity has been derived from the County's audited financial statements for Fiscal Years 2012-13 through 2016-17.

Set forth below is excerpts from the County's general fund financial statements for Fiscal Years 2012-13 through 2016-17 (audited) as well as the Fiscal Year 2017-18 unaudited actuals.

Table No. 1
SAN BENITO COUNTY
General Fund Revenues, Expenditures and Fund Balances
for Fiscal Years 2012-13 through 2017-18 (Unaudited)

	Fiscal Year 2012-13 (audited)	Fiscal Year 2013-14 (audited)	Fiscal Year 2014-15 (audited)	Fiscal Year 2015-16 (audited)	Fiscal Year 2016-17 (audited)	Fiscal Year 2017-18 (unaudited)
Revenues						
Taxes	$13,865,671	$14,277,919	$ 15,402,019	$15,965,201	$ 17,511,984	$19,792,404
Licenses and permits	874,270	988,892	759,936	1,757,688	1,294,916	1,598,127
Aid from other governments	6,087,409	6,369,394	7,667,639	6,871,155	6,867,855	7,080,331
Use of money or property	236,521	224,861	122,073	242,783	226,788	642,133
Fines, forfeits and penalties	1,172,237	996,960	2,929,293	2,437,425	3,134,899	3,771,952
Charges for services	4,889,588	4,184,099	5,640,054	4,603,211	4,979,369	4,783,506
Miscellaneous revenue	417,058	464,308	807,160	428,857	413,610	764,150
Total Revenues	27,542,754	27,506,433	33,328,174	32,306,320	34,429,421	38,432,603
Expenditures						
General government	3,698,599	2,852,758	5,967,509	4,555,064	4,118,060	5,822,212
Public protection	21,412,203	20,690,629	23,580,844	24,623,181	26,873,672	28,057,189
Public ways and facilities	52,631	-	--	--	--	--
Health and sanitation	--	-	--	--	--	--
Public assistance	184,550	352,043	626,471	667,751	577,047	532,125
Education	812,642	985,158	1,045,146	904,665	991,421	1,050,265
Recreation and cultural services	168,186	125,063	138,010	142,257	162,256	251,366
Capital outlay						
General Government	--	--	101,449	21,066	77,808	48,853
Public Protection	--	--	220,416	840,068	601,798	327,232
Education	--	--	15,500	24,120	21,500	--
Debt Service:						
Principal	361,000	361,000	722,000	--	--	--
Interest and fiscal charges	5,299	2,924	1,877	--	--	--
Total Expenditures	26,695,110	25,369,575	32,419,222	31,778,172	33,423,562	36,089,242
Excess (Deficiency) of revenues Over (Under) Expenditures	847,645	2,136,858	908,952	528,148	1,005,859	2,343,361
Other Financing Sources (Uses):						
Issuance of Debt	--	--	--	--	--	--
Transfers in	543,859	1,678,977	5,022,739	1,405,877	1,957,068	1,277,106
Transfers out	(718,810)	(544,892)	(588,835)	(609,875)	(1,416,330)	(1,818,790)
Capital Leases	--	--	--	--	25,211	--
Total Other Financing Sources (Uses)	(174,951)	1,134,085	4,433,904	796,002	565,949	(541,684)
Net change in fund balances	672,693	3,270,943	5,342,856	1,324,150	1,571,808	1,801,677
Fund Balance – Beginning of Year	12,564,569	13,237,262	16,508,205	26,013,025	27,337,175	28,908,983
Fund Balance - End of Year	$13,237,262	$16,508,205	$21,851,061	$27,337,175	$28,908,983	$30,710,660

Source: San Benito County Comprehensive Annual Financial Reports (2012-13 through 2016-17). San Benito County (2017-18).

Table No. 2
SAN BENITO COUNTY
General Fund Balance Sheet as of June 30
for Fiscal Years 2012-13 through 2017-18 (Unaudited)

	Fiscal Year 2012-13 (audited)	Fiscal Year 2013-14 (audited)	Fiscal Year 2014-15 (audited)	Fiscal Year 2015-16 (audited)	Fiscal Year 2016-17 (audited)	Fiscal Year 2017-18 (unaudited)
Assets:						
Cash and investments						
Held in County Treasury	$11,278,716	$ 14,627,008	$17,654,279	$19,581,840	$ 17,633,318	$18,565,302
Other Bank Accounts	3,551,269	4,238,040	4,886,266	4,984,742	8,678,443	9,318,984
Imprest Cash	1,193	1,193	1,193	1,193	1,193	1,193
Receivables	733,022	609,604	2,357,943	1,818,281	1,048,026	6,874,453
Loan receivable	--	--	--	--	—	--
Due from other funds	2,875,554	3,350,540	5,491,474	5,017,120	1,367,697	5,289,989
Due from other governments	--	--	--	--	1,540,996	54,919
Advances to other funds	--	--	--	--	4,154,714	4,154,714
Inventories and other assets	8,583	166,047	126,980	200,245	188,314	207,380
TOTAL ASSETS	18,448,317	22,992,432	30,518,135	31,603,421	34,612,701	44,466,934
Liabilities:						
Accounts payable and accrued labilities	62,401	3,078,579	5,697,426	1,949,597	2,555,221	1,876,181
Due to other funds	--	--	--	--	--	--
Due to other governments	--	32,421	36,341	105,983	140,838	71,512
Advances from other funds	--	--	--	--	--	--
Deposits from others	2,131,507	1,083,814	505,552	1,397,038	1,369,969	5,647,722
Unearned Revenues	2,129,382	2,186,571	2,275,599	247,980	232,238	251,117
Liability for Unpaid Claims	87,765	102,842	152,156	145,190	285,743	410,352
TOTAL LIABILITIES	5,211,055	6,484,227	8,667,074	3,845,788	4,584,009	8,256,884
Deferred Inflows of Resources:						
Unavailable revenues	--	--	--	420,458	1,119,709	5,499,390
Fund Balances:						
Nonspendable	8,583	166,047	126,980	200,245	188,314	207,380
Restricted	--	--	--	2,288,857(1)	2,621,709	2,621,709
Committed	--	--	--	--	3,000,000(1)	3,000,000
Assigned	1,629,420	--	--	5,861,125(1)	7,520,751	8,084,194
Unassigned	11,599,259	16,342,158	21,724,081	18,986,948(1)	15,578,209	16,797,377
TOTAL FUND BALANCES	13,237,262	16,508,205	21,851,061	27,337,175	28,908,983	30,710,660
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$18,448,317	$22,992,432	$30,518,135	$31,603,421	$34,612,701	$44,466,934

(1) In Fiscal Year 2015-16, a reclassification was made to recognize assigned fund balance for risk management. Additionally, a reclassification was made to restricted balance due to revenues restricted by external agencies. In Fiscal Year 2016-17, $3,000,000 in reserves were committed to an IRC 115 Post Employment Benefit Trust.
Source: San Benito County Comprehensive Annual Financial Reports (2012-13 through 2016-17). San Benito County (2017-18).

Summary of Tax Revenue Sources

The following table summarizes the County's tax revenue sources over the ten most recent fiscal years.

Table No. 3
SAN BENITO COUNTY
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year ending June 30	Property and Other Tax (1)	Sales & Use Tax	Proposition 172 Sales Tax(2)	Transient Occupancy Tax	Property Transfer Tax	Total
2009	$12,919,608	$1,691,563	$2,352,124	$93,135	$244,583	$17,301,013
2010	11,837,573	1,401,380	2,111,395	82,005	225,373	15,657,726
2011	11,059,988	1,826,788	2,155,222	81,840	219,143	15,342,981
2012	10,885,668	1,856,788	2,366,123	85,478	282,144	15,476,201
2013	11,535,845	1,969,048	2,564,670	92,309	268,469	16,430,341
2014	11,873,362	1,969,050	2,716,623	93,062	342,445	16,994,542
2015	12,512,906	2,000,240	2,909,242	83,105	365,065	17,870,558
2016	11,873,362	1,969,050	2,803,936	93,062	342,445	17,081,855
2017	14,539,987	2,047,933	3,062,166	175,591	597,908	20,423,585
2018	15,588,850	3,907,560	3,238,951	118,602	609,640	23,463,603
Change 2009-2018	21%	131%	38%	27%	149%	36%

(1) Other Taxes include aircraft and racehorse taxes and have been included with Property Taxes.
(2) Proposition 172 Sales Tax has been historically reported by the County under Operating Grants and Expenditure in the Comprehensive Annual Financial Report (CAFR).
Source: San Benito County Auditor-Controller's Office.

Budgetary Process

The County has a history of conservative budgeting, including such practices as saving rather than spending one-time or limited duration revenues, not using local funds to back-fill reductions in state or federal funding for state or federal programs, paying for capital projects out of reserves and a pay-as-you-go basis rather than issuing debt, aggressively paying off unfunded liabilities and maintaining significant fund balances and reserves, particularly in the General Fund, the County's main operating fund. The County views maintaining adequate reserves as important to provide a hedge against economic downturns or other emergencies, to insure the availability of sufficient cash flow to meet expenditure obligations without the need for short-term borrowing and to provide resources that can be used for one–time needs, such as major capital projects.

The County has adopted budget policies every year since Fiscal Year 2016-17. The budget policies serve as a guide for staff in the development of the annual budget. In the Fiscal Year 2018-19 Adopted Budget, the reserve and contingency policies were as follows:

- Create a General Purpose Reserve Fund of 25% to 50% of General Fund budgeted expenditures, excluding one-time expenditures. This will be adjusted each fiscal year as needed.
- Create a Contingency Plan within the Recommended Budget to address unforeseen expenses or revenue reversals each fiscal year.
- Retain the Rainy Day Reserve of $3,000,000 on deposit with PARS County of San Benito IRC 115 Irrevocable Trust.
- Adopt a Disaster Recovery Reserve of $1,000,000.

The Fiscal Year 2018-19 Adopted Budget includes $1,000,000 in general fund contingencies.

The County is required by California state law to approve a proposed tentative budget no later than June 30 of each year and to adopt a final budget no later than October 2. However, when the state budget is enacted after July 1, the Board of Supervisors may, by resolution, extend the date for a period not to exceed 60 days from the date of the enactment of the state budget or October 2, whichever is later. A public hearing must be conducted to receive comments prior to adoption. From the effective date of the budget, which is adopted and controlled at the departmental level, the amounts stated therein as proposed expenditures become appropriations to the various County departments. However, the legal level of control is at the division level. The Board of Supervisors may amend the budget by minute order resolution during the fiscal year. Department heads, may, upon approval from the County Executive Officer and County Auditor, make transfers of less than $25,000 from one object or purpose to another within the same budget unit. All other budget amendments, including appropriation increases, contingency transfers, and transfers of appropriations greater than $25,000, must be approved by the Board of Supervisors.

A comprehensive quarterly budget review is presented to the Board of Supervisors to update revenue and expenditure projections throughout each fiscal year. Appropriations are reviewed and transferred to different budget units based on the quarterly budget review, as approved by the Board of Supervisors.

General Fund Reserves

The County's Reserves and Contingency Policies require the County to create a general purpose reserve fund of between 25% and 50% of annual General Fund budgeted expenditures. Table No. 4 below shows a history of General Fund reserves since Fiscal Year 2012-13.

Table No. 4
SAN BENITO COUNTY
Breakdown of General Fund Reserves

Fiscal Year ending June 30	General Fund Reserves (Unassigned)
2013	$11,599,259
2014	16,342,158
2015	21,724,081
2016	18,986,948
2017	15,578,209
2018	16,797,377

Source: San Benito County Auditor-Controller's Office

General Fund reserves increased by 44.8% over the last six fiscal years, as shown above.

Comparison of General Fund Budget to Actual Performance

For purposes of comparison, Table No. 5 summarizes the general fund portion of the County's adopted budgets and actual data for Fiscal Years 2016-17 and 2017-18. The County's Fiscal Year 2018-19 budget is also presented.

Appropriations Limit

Section 7910 of the Government Code of the State of California requires the County to adopt a formal appropriations limit for each fiscal year. The County's budgeted appropriations limit for Fiscal Year 2018-19 is $36,618,633. Based on this, the appropriations limit is not expected to have any impact on the ability of the County to continue to budget and appropriate the Lease Payments as required by the Lease Agreement.

Table No. 5
SAN BENITO COUNTY
General Fund - Comparison of Budgeted and Actual Revenues, Expenditures and Fund Balances
For Fiscal Years 2016-17 and 2017-18

	Final Budget 2016-17 (unaudited)(1)	Actual 2016-17(1)	Final Budget 2017-18 (unaudited)(1)	Actual 2017-18 (unaudited)(1)
Revenues:				
Taxes	$15,952,500	$17,511,984	$16,788,153	$19,792,404
Licenses and permits	1,463,400	1,294,916	1,576,650	1,598,127
Fines and forfeits	1,116,913	3,134,899	1,078,560	3,771,952
Revenue from use of money & propert	95,000	226,788	141,000	642,133
Aid from other governments	8,346,085	6,867,855	6,787,945	7,080,331
Charges for current services	10,312,846	4,979,369	10,840	4,783,506
Other revenues	950,511	413,610	1,243,173	764,150
Total Revenues	38,237,255	34,429,421	38,455,523	38,432,603
Expenditures and Transfers:				
General government	9,284,184	4,195,868	8,841,623	5,871,065
Public protection	29,549,484	27,475,470	28,016,633	28,384,421
Public assistance	247,502	577,047	523,384	532,125
Education	1,021,691	1,012,921	1,054,491	1,050,265
Parks and recreation	171,760	162,256	136,533	251,366
Total Expenditures	40,338,621	33,423,562	38,572,664	36,089,242
Excess of Revenue Over (Under) Expenditures	(2,101,366)	1,005,859	(117,141)	2,343,361
Other Financing Sources (Uses)				
Operating transfers in	4,517,789	1,957,068	2,580,512	1,277,106
Operating transfers out	(1,894,091)	(1,416,330)	(9,885,189)	(1,818,790)
Capital Leases	--	25,211	--	--
Total Other Financing Sources (Uses)	2,623,698	565,949	(7,304,677)	(541,864)
Net change in fund balance	522,332	1,571,808	(7,421,818)	1,801,677
Beginning Fund Balance	23,423,320	27,337,175	28,908,983	28,908,983
Ending Fund Balances	$23,945,652	$28,908,983	$21,487,165	$30,710,660

(1) Presented in pre-GASB 54 format for comparative purposes.
Source: San Benito County Auditor-Controller's Office.

Property Taxes

The County assesses property values and collects and distributes secured and unsecured property taxes to the County, cities, school districts and other special districts within the County area. For information on property assessed valuations generally, see "CONSITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below. California law exempts $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State.

Property Assessment Appeals

An assessee of locally-assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization ("SBE"), respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which are subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally-assessed real property by Article XIIIA, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally-assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the two percent inflation factor allowable under Article XIIIA, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Pursuant to Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value, if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value pursuant to Section 51(b), commonly referred to as “Proposition 8” appeals, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years subsequent to a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel’s compounded base assessment value.

The assessed valuation of property within the County, excluding exempt property, for the last twelve years is shown in Table No. 6, followed by recent Proposition 8 declines in assessed value in Table No. 7.

Table No. 6
SAN BENITO COUNTY
Assessed Valuation
Fiscal Years 2008 through 2019

Fiscal Year	Assessed Valuation Secured Roll	Assessed Valuation Unsecured Roll	Total Assessed Valuation	Percent Change in Total Assessed Valuation	Delinquency Rate
2007-08	$6,573,600,000	$216,000,000	$6,886,000,000	6.25%	8%
2008-09	6,446,350,000	252,700,000	6,804,400,000	-1.21%	8%
2009-10	5,903,394,723	264,930,002	6,276,894,040	-7.75%	6%
2010-11	5,600,541,901	254,491,194	5,964,127,340	-4.98%	5%
2011-12	5,461,504,206	262,487,036	5,838,039,283	-2.11%	3%
2012-13	5,357,365,596	281,740,623	5,759,350,504	-1.35%	3%
2013-14	5,662,509,723	323,416,336	6,112,525,127	6.13%	2%
2014-15	6,104,579,833	362,445,671	6,596,832,721	7.92%	1%
2015-16	6,522,863,660	360,571,186	7,025,356,835	6.50%	1%
2016-17	6,970,102,291	417,586,973	7,535,153,694	7.26%	1%
2017-18	7,540,336,228	416,732,649	8,115,728,002	7.70%	N/A
2018-19[(1)]	8,119,329,009	435,612,757	8,735,658,900	7.64%	N/A

(1) As of January 1, 2018.
Source: San Benito County Auditor-Controller's Office.

Table No. 7
SAN BENITO COUNTY
Proposition 8 Declines in Local Assessed Valuation
Fiscal Years 2014 through 2018

Fiscal Year	Total AV[1]	Assessments Subject to Prop 8	% Total
2013-2014	$6,112,525,000	$1,700,585,626	27.8%
2014-2015	$6,596,833,000	$1,473,148,292	22.3%
2015-2016	$7,025,357,000	$1,174,104,441	16.7%
2016-2017	$7,535,153,000	$1,000,740,699	13.3%
2017-2018	$8,115,727,000	$867,352,751	10.7%

(1) Rounded to nearest thousand.
Source: San Benito County Assessor's Office.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real property 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 occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects 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 real property having a tax lien which is 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 levied on January 1 and are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid, become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments, plus a $10.00 penalty is added to the second installment. Property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on July 1 of the following fiscal year. Such property may thereafter be redeemed by payment of the penalty of 1.5% per month to the time of redemption, together with the defaulted taxes, delinquent penalties, costs and a redemption fee. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to auction sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are levied January 1 and are billed in mid-July and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 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) 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) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The following table shows a 5-year delinquency history for property taxes collected by the County on the secured roll as of June 30, 2018.

Table No. 8
SAN BENITO COUNTY
Property Tax Delinquencies- Secured Roll
Fiscal Years 2014 through 2018

Fiscal Year Ended June 30,	Uncollected within the Fiscal Year of the Levy: Amount	Uncollected within the Fiscal Year of the Levy: First year Delinquencies	Amount of Total Cumulative Uncollected Taxes
2014	$906,252	1.33%	$2,984,670
2015	963,882	1.32%	2,629,368
2016	1,070,599	1.34%	2,213,435
2017	1,148,190	1.34%	2,248,594
2018	1,459,339	1.52%	2,455,598

Source: San Benito County, Auditor-Controller's Office.

County Tax Loss Reserve Fund ("Teeter Plan")

Beginning in Fiscal Year 1978-79, Article XIIIA of the State Constitution and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") on October 12, 1993, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Ad Valorem property taxes are collected by the County and distributed pursuant to the Teeter Plan. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The County was required to create a tax loss reserve fund under one of two alternate methods: (1) one percent of the total amount of taxes levied on the secured roll for the year or (2) twenty-five percent of the total delinquent secured taxes as calculated at the end of the fiscal year. Currently, the County uses approximately 1% of the total amount of taxes levied on secured taxes to establish its tax losses reserve. The requirement for Fiscal Year 2017-18 is $961,034.

Upon implementation of the Teeter Plan, the County used its portion of the first year buyout to fund the Tax Losses Reserve Fund. For Fiscal Years 2013-14 through 2017-18, the County's General Fund benefited by approximately $8 million dollars in one-time monies that were generated from the surplus in the Tax Losses Reserve Fund.

Largest Taxpayers

The ten largest taxpayers within the County, as shown on the 2017-18 Secured Tax Roll, and the amount of their respective property tax levy for all taxing jurisdictions within the County are shown below. These top 10 taxpayers account for approximately 5% of the property taxes levied within the County. Total 1% property taxes levied on the Secured Tax Roll for Fiscal Year 2017-18 is $96,019,684.

Table No. 9
SAN BENITO COUNTY
Top Ten Secured Taxpayers Based on Assessed Valuation
Fiscal Year 2017-18

Taxpayer Name	Type of Business	Net Assessed Value	Property Tax Amount	% of Total Sec. A.V.(1)
Pacific Gas & Electric Co.	Utilities	$129,384,240	$1,357,329.50	1.72%
Natural Selection Foods, LLC	Agriculture	82,780,778	915,803.58	1.10%
Granite Rock Co.	Construction	77,526,072	861,101.92	1.03%
McCormick Selph, Inc.	Explosives Mfg.	30,069,385	340,570.08	0.40%
Stone Canyon Ranch, LLC	Real Estate	28,248,908	310,539.58	0.37%
Award Homes, Inc.	Real Estate	21,166,965	298,279.20	0.28%
9351 Fairview, LLC	Agriculture	24,816,532	281,180.28	0.33%
Clearist Park, Inc.	Real Estate	18,000,000	247,568.64	0.24%
Northpointe Associates, LLC	Engineering	20,179,042	236,579.46	0.27%
Delicato Vineyards	Wine	19,481,817	214,296.02	0.26%

(1) Property Tax includes all ad valorem assessments in addition to the 1% tax.
Source: San Benito County, Auditor-Controller's Office.

Sales and Use Taxes

General sales and use taxes contributed $2,047,933 to General Fund revenues in the Fiscal Year 2016-17, equating to approximately 6% of total General Fund revenues for that fiscal year. A sales tax is imposed on retail sales or consumption of personal property. The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current sales tax rate in the County is 7.25%.

Outstanding General Fund Debt and Lease Obligations

The County currently has outstanding lease obligations described below. The County has never defaulted on the payment of principal of or interest on any of its indebtedness. The County has complied with all significant bond covenants relating to reserve and sinking fund requirements, proofs of insurance, and budgeted revenues and maintenance costs.

Equipment Lease/Purchase Agreement. The County entered into an Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. on August 3, 2018 (the "**Solar Lease**"). Under the terms of the Solar Lease, the County leased certain solar panels and related equipment, which have been placed on various County-owned buildings, including the Leased Property. Subject to nonappropriation by the County, the Solar Lease requires semi-annual payments by the County through August 2038 in the total aggregate principal amount of $8,175,000.

Lease Obligations

Operating Leases. The County rents various office space and equipment for normal operations. All of these leases contain options to renew the lease at the end of the lease terms. Remaining noncancelable, subject to nonappropriation, minimum future payments on these leases are as follows:

June 30	Total
2019	$1,013,900
2020	847,070
2021	666,376
2022	582,562
2023-2037	552,476
Total Minimum Rental Payments	$3,662,394

Total rent expenditures for the year ended June 30, 2018 was $1,092,411, of which $80,877 was recorded in the General Fund.

Capital Lease Obligations. The County has entered into capital lease arrangements under which the related equipment will become the property of the County when all terms of the agreement are met. The following schedule presents future minimum capital lease payments, payable by the General Fund and other major and non-major special revenue funds:

	Governmental Activities	
June 30	Principal	Interest
2019	$31,213	$2,519
2020	25,108	1,252
2021	10,056	394
2022	4,353	106
Total value of minimum lease payments	$70,730	$4,271

Pension Benefits

Pension Plans. This caption contains certain information relating to California Public Employees' Retirement System ("**CalPERS**"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The County has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the Corporation, County or Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Implementation of GASB Nos. 68 and 71. In June 2012 and November 2013, the Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* ("**GASB Statement No. 68**") and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* ("**GASB Statement No. 71**"), respectively. The primary objective of GASB Statement No. 68, as amended, is to improve accounting and financial reporting by state and local governments for pensions and improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

GASB Statement No. 68, as amended, revised the accounting treatment of defined benefit pension plans, changing the way expenses and liabilities are calculated and how state and local government employers report those expenses and liabilities in their financial statements. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (ii) pension expense incorporates more rapid recognition of actuarial experience and investment returns and is no longer based on the employer's actual contribution amounts; (iii) lower actuarial discount rates that are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities that are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns to will be recognized over a closed five-year smoothing period. The reporting requirements took effect in Fiscal Year 2014-15. Based on the adoption of the new accounting standards, beginning with the Fiscal Year 2014-15 actuarial valuation, the annual required contribution and the annual pension expense will be different. GASB Statement No. 68, as amended, changes the reporting and disclosure requirements for financial statement accounting purposes, but it does not change the County's pension plan funding obligations and, therefore, had no effect on the County's General Fund.

Information shown in this section that has been sourced from a CalPERS Actuarial Valuation Report has not been prepared in accordance with GASB Statement No. 68, as amended.

Plan Description. All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by CalPERS. The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The County sponsors 3 rate plans (one miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The County contributes to the California Public Employees Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan, for its miscellaneous and safety employees. 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 of California. Benefit provisions and all other requirements are established by State statute and County ordinance. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

At the valuation date of June 30, 2017, the following employees were covered by the benefit terms:

	Miscellaneous	Safety
Active Employees	386	58
Inactive employees or beneficiaries currently receiving benefits	482	88
Inactive employees entitled to but not yet receiving benefits	505	71
Total	1,373	217

The provisions and benefits of each plan that were in effect at June 30, 2017, are summarized as follows:

Miscellaneous Plan	
Hire Date	Prior to January 1, 2013
Benefit Formula	2.0% @ 55
Benefit Vesting Schedule	5 years of service
Benefit Payments	Monthly for life
Retirement Age	50-55
Monthly Benefits, as a % of eligible comp	2.000% to 2.418%
Required Employee Contribution Rates	7.000%
Required Employer Contributions Rates	18.638%

Safety Plan	
Hire Date	Prior to January 1, 2013
Benefit	3.0% @ 55
Benefit Vesting Schedule	5 years of service
Benefit Payments	Monthly for life
Retirement Age	50
Monthly Benefits, as a % of eligible comp	3.000%
Required Employee Contribution Rates	9.000%
Required Employer Contributions Rates	22.175%

The County is required to contribute at an actuarially determined rate of annual covered payroll, plus a fixed payment of unfunded liability. The actuarially determined rates and amounts for each plan for the fiscal years ended June 30, 2020 and June 30, 2021, are as follows:

County's Required Employer Contribution Rate

	Fiscal Year 2019-20		**Fiscal Year 2020-21**	
	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
Miscellaneous Plan	8.758%	$3,307,040	9.400%	$3,604,000
PEPRA Safety County Peace Office Plan	13.786	19,312	13.900	21,000
Safety-Police Plan	20.603	$1,663,979	21.800	1,733,000

Source: CalPERS Actuarial Reports dated June 30, 2017.

For the year ended June 30, 2018, the County recognized pension expense in the amounts of $5,909,376 and $2,796,921 for the miscellaneous and safety plans, respectively.

Funded Status. The following table sets forth the schedule of funding for the County's Plans for the fiscal years ended June 30, 2014, 2015, 2016, and 2017. As of the June 30, 2016 valuation date, the aggregate Unfunded Liability of all of the Plans totaled $60.1 million, and the aggregate funded ratio was 70.4%.

<u>Miscellaneous Plan</u>

Valuation Date (June 30)	Present Value of Projected Benefits	Entry Age Normal Accrued Liability	Plan's Market Value of Assets	Unfunded Accrued Liability	Funded Ratio(1)
2014	$154,843,735	$134,791,463	$104,421,487	$30,369,976	77.5%
2015	162,375,981	140,643,317	104,465,094	36,178,223	74.3
2016	171,198,445	147,753,132	103,143,501	44,609,631	69.8
2017	182,743,526	156,284,625	112,748,140	43,536,485	72.1

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated June 2017.

<u>PEPRA Safety County Peace Officer Plan</u>

Valuation Date (June 30)	Present Value of Projected Benefits	Entry Age Normal Accrued Liability	Plan's Market Value of Assets	Unfunded Accrued Liability	Funded Ratio(1)
2014	$1,888,824	$68,583	$76,330	$(7,747)	111.3%
2015	2,035,202	172,092	165,795	6,297	96.3
2016	3,542,529	368,439	329,823	38,616	89.5
2017	4,701,785	678,588	638,287	40,301	94.1

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated June 2017.

<u>Safety Plan</u>

Valuation Date (June 30)	Present Value of Projected Benefits	Entry Age Normal Accrued Liability	Plan's Market Value of Assets	Unfunded Accrued Liability	Funded Ratio(1)
2014	$61,313,672	$50,401,586	$39,536,404	$10,865,182	78.4%
2015	64,732,069	53,593,669	40,666,296	12,927,373	75.9
2016	69,641,328	57,732,657	41,512,114	16,220,543	71.9
2017	74,845,674	62,854,580	46,951,094	15,883,486	74.7

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated June 2017.

See "APPENDIX C – Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017 – Note 12 – Pension Plans" for additional information on the County's pension plan obligations.

Recent Actions Taken by CalPERS. At its April 17, 2013, meeting, CalPERS' Board of Administration (the "**Board of Administration**") approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. As a result, CalPERS now employs an amortization and smoothing policy that will pay for all gains and losses over a 30-year period with a five-year ramp-up, and five-year ramp-down, period. The new amortization and smoothing policy was used for the first time in the June 30, 2013 actuarial valuations in setting employer contribution rates for Fiscal Year 2015-16. On February 13, 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated.

On February 18, 2014, the Board of Administration approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The Board of Administration also assumed earlier retirements for Police 3%@50, Fire 3%@55, and Miscellaneous 2.7%@55 and 3%@60, which will increase costs for those groups. As a result of these changes, rates increased beginning in Fiscal Year 2016-17 (based on the June 30, 2014 valuation) with full impact in Fiscal Year 2020-21.

On November 18, 2015, the Board of Administration adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.375%, by at least four percentage points. CalPERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through CalPERS' web site at the following website address: https://www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy. This policy is in suspense until the discount rate is fully reduced to 7.000% as described below. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the County and is not incorporated in this Official Statement by reference.*

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

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

For public agencies like the County, the discount rate of 7.375% became effective on July 1, 2018. Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

No assurance can be given that the Board of Administration will not make further changes to the methods used to determine pension liability of CalPERS members, including the County.

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were derived from the June 30, 2013 funding valuation report. The actuarial methods and assumptions used to determine the contributions are as follows:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry - Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increases	3.3% to 14.2% (1)
Investment Rate of Return	7.50% (2)
Mortality	--(3)

(1) Varies depending on age, service and type of employment.
(2) Net of pension plan investment and administrative expenses, including inflation.
(3) Derived using CalPERS' Membership Data for all funds.
Source: County of San Benito Comprehensive Annual Financial Report for Fiscal Year 2016-17.

Three-Year Trend Information for the County's Defined Benefit Plans (in thousands)

Fiscal Year Ended	Employer Normal Cost (projected) Miscellaneous	Employer Payment of Unfunded Liability Miscellaneous	Employer Normal Cost (projected) Safety	Employer Payment of Unfunded Liability Safety
6/30/2017	$1,574,734	$2,139,925	$886,055	$1,152,383
6/30/2018	1,677,701	2,435,098	932,981	1,292,129
6/30/2019	1,817,690	2,854,118	1,037,862	1,487,818

The table below shows the actuarial accrued liability, market value of assets, the funded ratio and annual covered payroll for the County's defined benefit pension plans as of June 30, 2016.

	Miscellaneous	Safety
Accrued Liability (AL)	$147,753,132	$57,732,657
Market Value of Assets (MVA)	$103,143,501	$41,512,114
Unfunded Accrued Liability (UAL)	$44,609,631	$16,220,543
Funded Ratio	69.8%	71.9%
Annual Covered Payroll	$20,337,999	$4,907,717

A Schedule of Funding for the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the UAAL to payroll for the risk pool to which this plan belongs can be obtained from CalPERS, P.O. Box 942709, Sacramento, CA 94229-2709.

Other Post-Employment Benefits

The Government Accounting Standards Board (GASB) issued "Statement 45", which requires states and local governments to report the unfunded accrued liability of non-pension retiree benefits – called Other Post-Employment Benefits ("OPEB") - on those governments' financial statements. Prior to the adoption of this rule, state and local governments typically accounted for OPEB costs on a pay-as-you-go basis. Governments are not obligated to pre-fund these liabilities, but only to report them on their financial statements should they choose not to prefund.

Plan Description. The County of San Benito 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. The County has been under contract with CalPERS for medical plan coverage since 1993 for their employees, as provided by the Public Employee's Medical and Hospital and Car Act ("PEMHCA").

The County provides postemployment health care benefits, in accordance with the health care regulations of the Public Employees Retirement System, to all employees, their spouses, and eligible dependents, who retire through CalPERS from the County on or after attaining age 50 with at least five years of service. As of Fiscal Year 2017-18, 233 retirees meet the eligibility requirements.

The actuarially determined contribution ("ADC") is an amount actuarially determined in accordance with the parameters of and in conformity with Actuarial Standards of Practice. The ADC is a target or recommended contribution to a defined benefit contribution to a defined benefit OPEB plan. The County's ADC for the June 30, 2017 valuation date was $2,218,061.

In the July 1, 2015 actuarial valuation, the entry age normal level percent of pay actuarial cost method was used. The actuarial assumptions included a 7.28% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, and an annual health care minimum cost trend of 7.5%. The UAAL is being amortized over a 30 year period using the level percentage of pay method on an open basis. The remaining amortization period at June 30, 2017 was 29 years.

The contribution requirements for plan members and the County are established and may be amended by the County. The County prefunds the plan through the California Employers' Retiree Benefit Trust (CERBT) through its ADC each year.

CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre-fund retiree healthcare benefits. CERBT assets as of June 30, 2016 are $22,332,198. CERBT issues a publicly available financial report including GASB 43 disclosure information in aggregate with the other CERBT participating employers. That report may be obtained by contacting CalPERS.

The funded status of the plan, based on an actuarial valuation as of July 1, 2017, the date of the latest actuarial valuation, is as follows:

Total OPEB Liability (TOL)	$27,710,625
Fiduciary Net Position (FNP)	21,335,848
Net OPEB Liability (NOL)	$6,374,777
Funded Status (FNP/TOL)	77%

At __________, 2018, the Market Value of Plan Assets had increased to $________ due to additional quarterly contributions and investment earnings.

Long-Term Liabilities

The County's compensated absences, the amount of time employees have earned and retained for vacation and comp time that is payable to them at some time in the future, was a total of $2.9 million. This is a decrease of $428,000 from the previous year for all employees. As employees sever their relations with County employment either by retirement or termination, all or a portion of their accumulated compensated absences become due and payable to them.

The County has entered into certain capital lease arrangements under which the related equipment will become the property of the County when all terms of the agreement are met. At the end of the fiscal year. capital lease obligations totaled $105,000.

The County's liability for unpaid claims associated to workers compensation, property loss, and other types of loss, increased by $905,000 during the fiscal year.

Direct and Overlapping Debt

Contained within the County are overlapping local agencies providing public services which have issued general obligation Certificates and other types of indebtedness. Direct and overlapping bonded indebtedness is shown in the following table.

Table No. 10
SAN BENITO COUNTY
Statement of Direct and Overlapping Debt As of June 30, 2018

2018-19 Assessed Valuation: $8,609,129,211 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/19
Gavilan Community College District	24.533%	$ 21,769,358
Other Community College Districts	0.009 – 0.493	875,861
Aromas-San Juan Joint Unified School District	73.218	9,955,375
Coalinga-Huron Joint Unified School District	0.048	24,936
South Monterey Joint Union High School District	1.136	28,286
San Benito Joint Union High School District	99.416	98,114,501
Hollister School District	100.000	40,325,000
North County Joint Union School District	95.390	2,565,901
San Benito Healthcare District	100.000	27,705,000
1915 Act Bonds	100.000	1,165,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$202,529,218
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Benito County Certificates of Participation	**100.000 %**	**$ --**(1)
Gavilan Joint Community College District Certificates of Participation	24.533	3,390,583
San Benito Joint Union High School District General Fund Obligations	99.416	2,875,551
Other School District Certificates of Participation	Various	118,175
Coalinga Regional Medical Center Certificates of Participation	0.048	2,042
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$6,386,351
OVERLPAPPING TAX INCREMENT DEBT (Successor Agency):		$30,285,000
COMBINED TOTAL DEBT		$239,200,569(2)

Ratios to 2018-19 Assessed Valuation:
Total Overlapping Tax and Assessment Debt..2.35%
Combined Total Debt 2.78%

Ratio to Redevelopment Successor Agency Incremental Valuation ($1,433,831,488):
Total Overlapping Tax Increment Debt 2.11%

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

Investment of County Funds

State law requires that all moneys of the County, school districts, and certain special districts be held in the County Treasury by the Treasurer. The Treasurer has authority to implement and oversee the investment of such funds in the County Investment Pool (the "**Pool**") in accordance with section 53600 et seq. of the California Government Code. The Treasurer-Tax Collector accepts funds only from agencies located within the County. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and federal funding and other fees and charges. Each depositor is assigned a distinct fund number within the County General Ledger. Cash represented by fund balances is commingled in the portfolio; no funds are segregated for separate investment.

Authorized investments are required to match the general categories established by Sections 53601 et seq., 53635 et seq., and 16429.1 et seq. of the California Government Code; including financial futures and financial options contracts in any of the specified categories as established by California Government Code Section 53601.1.

Decisions on the investment of funds in the Pool are made by the Treasurer in accordance with established policy guidelines. In the County, investment decisions are governed by California Government Code Sections 53601 and 53635, et seq., which govern legal investments by local agencies in the State, and by a more restrictive investment policy (the "**Investment Policy**") proposed by the Treasurer and monitored by the Treasury Oversight Committee on an annual basis. The Investment Policy sets forth the manner in which the Pool is to be invested. The duty of the Treasurer is to safeguard all public funds which by law are managed by the Treasurer. The Pool must maintain sufficient cash to meet the disbursement needs of all participating agency depositors. Prudence must be used in obtaining a competitive yield while maintaining the value and availability of the cash involved. The Investment Policy is more restrictive than State law in regard to types of securities authorized for investment.

The Investment Policy allows for purchase of a variety of securities with limitations as to exposure, maturity and rating, varying with each type of security. The composition of the portfolio will change over time as old investments mature or are sold, and as new investments are made. The market value of certain types of securities fluctuate, but the County does not anticipate that it will realize any losses with respect to any such investments since the County intends to hold such investments until their maturity.

The following table reflects certain limited information with respect to the County Pool for the month ending on June 30, 2017. As described above, a wide range of investments is authorized under state law. The value of the various investments in the County Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on the date indicated, the County Pool necessarily would have received the values specified. The County expects that the County Pool is sufficiently liquid to cover all anticipated cash flow needs for the Pool participants for at least the next six months, with, as of _______, approximately _____% of the portfolio maturing within ___ days.

Instruments in any one issuer that represent 5% or more the County's investments as of June 30, 2018, are as follows (excluding investment pools and debt explicitly guaranteed by the U.S. government):

San Benito County Investment Pool Information
As of June 30, 2018

Issuer	Issuer Type	Fair Value Holdings	Percentage Holdings
Credit Agricole CIB NY YCD	Certificate of Deposit	$7,251,015	4.00%
Credit Suisse NY YCD	Certificate of Deposit	9,002,880	4.96%
Credit Suisse NY YCD	Certificate of Deposit	5,001,600	2.76%
Mizuho BK LTD	Certificate of Deposit	11,002,970	6.07%
National BK of Canada YCD	Certificate of Deposit	7,002,310	3.86%
Standard Chartered BK NY	Certificate of Deposit	12,002,412	6.62%
Svenska Handelsbanken NY	Certificate of Deposit	9,002,160	4.96%
Anglesea CP	Commercial Paper	10,000,000	5.51%
Mitsubishi UFJ BK NY	Commercial Paper	6,965,700	3.84%
Starbird Funding CP	Commercial Paper	9,970,500	5.50%
Victory Receivables	Commercial Paper	9,979,400	5.50%
CAMP	Government Sponsored	13,740,749	7.58%
LAIF	Government Sponsored	10,000,000	5.51%
Australia NZ BK MTN	Medium Term Note	9,351,785	5.16%
Bk Tokyo-Mitsubishi UFJ	Medium Term Note	10,989,440	6.06%
Commonwealth BK	Medium Term Note	8,374,738	4.62%
HSBC Bank USA FR	Medium Term Note	7,012,390	3.87%
National Australia BK	Medium Term Note	5,067,650	2.79%
UBS AG London Var. Corp	Medium Term Note	10,010,700	5.52%
Wells Fargo FR Bank Note	Medium Term Note	9,440,984	5.21%

The Investment Policy may be changed at any time at the discretion of the Board of Supervisors (subject to the state law provisions relating to authorized investments) and as the California Government Code is amended. There can be no assurance that State law and/or the Investment Policy will not be amended in the future to allow investments that are currently prohibited, or that the stated objectives of the County with respect to investments will not change.

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County is a member of a joint powers agency ("**JPA**"), Trindel Insurance Fund, which self-insures losses up to $300,000 for Workers Compensation, up to $100,000 for all risk liability, $20,000 for auto liability, and $25,000 for property, per occurrence. The liability rests with the County. Trindel Insurance Fund is classified as a claims-servicing or account pool, wherein the County retains the risk of loss and is considered self-insured with regard to liability coverage.

The County also belongs to another larger JPA called the California State Association of Counties Excess Insurance Authority ("**CSACEIA**"). CSACEIA, along with other commercial carriers, increases the coverage for general liability to $25 million. Also, CSACEIA, with other commercial carriers, covers replacement cost on property to $600 million with a $25,000 deductible for real property and a $20,000 deductible for vehicles. Trindel covers all but $1,000 of these deductibles, per occurrence.

The actuarial expected claims liability at fiscal year-end, projected with a 50% confidence level, at June 30, 2017 is $3,638,598.

Fiscal Year	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2015-16	$2,518,418	$1,093,732	$(871,358)	$2,740,792
2016-17	2,740,792	2,612,266	(1,714,460)	3,638,598

RISK FACTORS

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

General Considerations – Security for the Certificates

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

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

The County has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Lease Payments may be decreased. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other activities before making Lease Payments and other payments due under the Lease Agreement.

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

Eminent Domain

If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property or any part thereof is taken temporarily, under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the County and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property.

Abatement

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

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

Limited Recourse on Default; No Acceleration

If the County defaults on its obligation to make Lease Payments, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The County will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Limitation on Remedies; Bankruptcy

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

Natural Disasters

The County, like much of California, is subject to seismic activity that could result in interference with its right to use and possession of the Leased Property. The two faults likely to have the most impact on the County are the West San Benito Fault and Concord-Green Valley Fault Zone. The County is not obligated by the Lease Agreement or otherwise to maintain earthquake insurance with respect to the Leased Property. The occurrence of severe seismic activity in the area of the Leased Property could result in substantial damage and interference with the County's right to use and occupy all or a portion of the Leased Property, and result in Lease Payments being subject to abatement. See "Abatement" above.

In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires which occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. There is a risk of property within the County being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the County.

Portions of the County have been affected by flooding, including as a result of damage to a levee in 2017. There can be no assurance that flooding will not occur in the future or that the severity of flooding will not be material.

State of California Financial Condition

The financial condition of the State of California has an impact on the level of revenues received by the County. No prediction can be made as to whether the State will encounter budgetary problems in future fiscal years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the direction or outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including economic downturns, over which the County has no control. There can be no assurance that the State's efforts to balance the State general fund will not materially adversely affect the financial condition of the County.

No Liability of Corporation to the Owners

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

Substitution and Removal of the Leased Property

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

Litigation

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

State Law Limitations on Appropriations

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

Property Tax Allocation by the State; Changes in Law

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

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

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

Early Prepayment Risk

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

Loss of Tax-Exemption

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

Secondary Market for Certificates

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

IRS Audit of Tax-Exempt Issues

The Internal Revenue Service (the "**IRS**") has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the

Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar obligations).

STATE BUDGET

Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2018-19 State Budget described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets may be posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County, and the County takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2018-19 Adopted State Budget

On June 27, 2018, the Governor signed the fiscal year 2018-19 State budget (the "**2018-19 State Budget**") into law. The 2018-19 State Budget calls for total spending of $199.7 billion, with $138.6 billion in general fund spending. The 2018-19 State Budget provides for $78.4 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of $3.7 billion from the 2017-18 State budget. The 2018-19 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to $13.8 billion by the end of the budget year, its constitutional maximum. Additionally, the 2018-19 State Budget adds two additional reserves to State law, the Budget Deficit Safety Account and the Safety Net Reserve Fund.

Future State Budgets

Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County and other cities and counties in the State. The County cannot predict the extent of the budgetary problems the State will encounter in this or in any future Fiscal Year, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of current or future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets are being and will be affected by national and State economic conditions and other factors, including the current economic conditions, over which the County has no control.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

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

Article XIIIA of the State Constitution

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

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

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

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

Article XIIB of the State Constitution

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

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

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

Articles XIIIC and XIIID of the State Constitution

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

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two–thirds vote. Further, any general purpose tax the County imposed, extended or increased without voter approval after December 31, I994 may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter–approval requirements of Article XIIIC reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

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

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

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

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

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

Proposition 62

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

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

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

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

Proposition IA

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

Proposition 22

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

Unitary Property

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

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

Future Initiatives

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

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the County by no later than nine months following the end of the County's fiscal year (which date would be April 1 based upon the County's current fiscal year end of June 30), commencing April 1, 2019 with the report for Fiscal Year 2017-18 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The County will file, or cause to be filed, the Annual Report with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in "APPENDIX E – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). In the past five years, to its knowledge, the County has at all times complied, with its undertakings pursuant to said Rule.

TAX MATTERS

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

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

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

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

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

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

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

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

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

CERTAIN LEGAL MATTERS

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

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

LITIGATION

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

MUNICIPAL ADVISOR

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

COMPETITIVE SALE OF CERTIFICATES

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

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

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

RATING

S&P has assigned its municipal bond rating of "__" to the Certificates. There is no assurance that any credit rating given to the Certificates will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P.

EXECUTION

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

SAN BENITO COUNTY

By: ______________________________
[_______________]

Attest:

____
Clerk of the Board of Supervisors

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B

SAN BENITO COUNTY

GENERAL DEMOGRAPHIC INFORMATION

General and Location

San Benito County (the "County"), located in Northern California about 130 miles southeast of San Francisco, was created from parts of Monterey County in 1874. The County encompasses an area of approximately 1,390 square miles, shares a northern border with Santa Clara County, shares eastern borders with Merced and Fresno Counties, as well as a western border with Monterey County. The topography is marked by the Pinnacles National Park, which covers about 41 square miles of land, as well as mountain ranges such as the Diablo, Gabilan, Las Aguilas, and Santa Cruz mountains.

Population

As of January 1, 2018, the County's population was approximately 57,088, which represents a 0.36% increase above the January 1, 2017 population estimate of 56,879. The historic population estimates for the County and cities within the County as of January 1 of the years 2014 through 2018 are listed below.

SAN BENITO COUNTY
Population Estimates
As of January 1

Area	2014	2015	2016	2017	2018
Hollister	35,905	36,137	36,297	36,458	36,703
San Juan Bautista	1,863	1,877	1,879	1,891	1,873
Unincorporated	18,451	18,438	18,448	18,530	18,512
Incorporated	37,768	38,014	38,176	38,349	38,576
Total County	56,219	56,452	56,624	56,879	57,088

Source: California State Department of Finance.

Effective Buying Income

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

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

SAN BENITO COUNTY
Effective Buying Income
2015 through 2019

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2018	San Benito County	1,211,128	55,182
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	San Benito County	1,332,148	59,860
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	San Benito County	1,391,147	62,230
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	San Benito County	1,528,355	67,136
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	San Benito County	1,589,576	69,217
	California	1,183,264,399	62,637
	United States	9,017,967,5639	52,841

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

Commercial Activity

Total taxable sales during the first three quarters of calendar year 2017 in the County were reported to be $580,301,954 a 16.67% increase over the total taxable sales of $497,383,662 reported during the first three quarters of calendar year 2016. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table. Annual figures are not yet available for 2017 or 2018.

SAN BENITO COUNTY
Taxable Transactions
(Figures in Thousands)

	Retail Stores		Total All Outlets	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	786	308,777	1,199	530,017
2013	844	329,051	1,260	560,238
2014	888	338,945	1,313	560,376
2015[(1)]	557	357,217	1,446	607,831
2016	965	387,569	1,541	664,452

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: California State Board of Equalization

Building and Construction

Provided below are the building permits and valuations for the County for calendar years 2013 through 2017.

SAN BENITO COUNTY
TOTAL BUILDING PERMIT VALUATIONS
(VALUATIONS IN THOUSANDS)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$32,574.5	$20,711.8	$66,826.5	$117,407.4	$147,085.0
New Multi-family	0.0	0.0	4,246.5	9,554.8	323.5
Res. Alterations/Additions	3,019.5	3,245.3	3,089.0	7,779.2	4,267.2
Total Residential	35,594.0	23,957.1	74,162.0	134,741.4	151,675.7
New Commercial	4,763.9	7,030.2	19,214.6	5,499.7	2,082.3
New Industrial	42.0	0.0	6,800.0	4,988.4	0.0
New Other	2,623.5	8,711.4	1,399.7	22,320.4	1,511.1
Com. Alterations/Additions	3,200.0	6,311.7	18,397.2	4,804.7	14,610.7
Total Nonresidential	$10,629.4	$22,053.3	$45,811.5	$37,613.2	$18,204.1
New Dwelling Units					
Single Family	138	78	223	443	586
Multiple Family	0	0	49	99	2
TOTAL	38	78	272	542	588

Source: Construction Industry Research Board, Building Permit Summary

Employment and Industry

The unemployment rate in the San Jose-Sunnyvale-Santa Clara MSA was 2.7 percent in August 2018, down from a revised 2.8 percent in July 2018, and below the year-ago estimate of 3.5 percent. This compares with an unadjusted unemployment rate of 4.3 percent for California and 3.9 percent for the nation during the same period. The unemployment rate was 4.5 percent in San Benito County, and 2.6 percent in Santa Clara County.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2013 through 2017.

SAN BENITO COUNTY
San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area
Employment by Industry
Annual Averages

	2013	2014	2015	2016	2017
Civilian Labor Force	1,000,800	1,021,500	1,039,200	1,053,800	1,071,800
Employment	934,700	967,600	994,800	1,012,900	1,036,300
Unemployment	66,000	53,900	44,300	40,900	35,400
Unemployment Rate	6.6%	5.3%	4.3%	3.9%	3.3%
Wage and Salary Employment: (1)					
Agriculture	5,000	5,300	5,500	6,100	5,800
Mining and Logging	300	300	200	300	200
Construction	37,500	39,700	43,900	48,300	49,800
Manufacturing	158,400	161,700	164,800	166,600	166,700
Wholesale Trade	36,400	37,200	37,200	36,800	35,500
Retail Trade	83,900	85,300	86,600	85,800	86,300
Trans., Warehousing, Utilities	13,800	14,400	14,600	15,500	15,400
Information	58,700	65,700	70,500	75,700	85,100
Financial and Insurance	20,700	20,800	21,100	21,500	21,700
Real Estate, Rental & Leasing	13,000	13,300	13,500	14,200	14,400
Professional and Business Services	190,000	201,800	215,100	223,300	227,600
Educational and Health Services	143,800	150,000	156,300	162,500	168,700
Leisure and Hospitality	87,500	91,900	95,800	99,400	102,300
Other Services	25,400	26,400	26,900	27,600	28,700
Federal Government	9,900	9,900	9,900	10,000	10,100
State Government	6,300	6,400	6,700	6,700	6,800
Local Government	75,600	77,100	76,400	77,400	78,800
Total All Industries (2)	966,200	1,007,100	1,044,900	1,077,500	1,104,000

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

Major Employers

The table below lists the major employers in the County. Major employers in the County include those in education, health care, electronics, retail and manufacturing. Major public sector employers include public universities and schools, the State of California and the County.

SAN BENITO COUNTY
Principal Employers
October 2018

Employer Name	Location	Industry
Anzar High School	San Jn Bautista	Schools
Corbin Sparrow	Hollister	Motorcycles-Supls & Parts-Manufacturers
Denise & Filice Packing Co	Hollister	Fruits & Vegetables-Wholesale
Diageo North America	Paicines	Liquors-Wholesale
Earthbound Farm	San Jn Bautista	Marketing Programs & Services
Gabilan Hills Elementary Sch	Hollister	Schools
Hazel Hawkins Memorial Hosp	Hollister	Hospitals
Mcelectronics Inc	Hollister	Wire Harnesses-Electrical-Manufacturers
Milgard Manufacturing Inc	Hollister	Windows-Manufacturers
Nob Hill Foods	Hollister	Grocers-Retail
Pacific Harvest Seafoods	San Jn Bautista	Frozen Fruit, Fruit Juices/Vegs (mfrs)
R & R Labor	Hollister	Labor Contractors
R O Hardin Elementary School	Hollister	Schools
Rancho San Justo Middle School	Hollister	Schools
Ridgemark Golf & Country Club	Hollister	Restaurants
Safeway	Hollister	Grocers-Retail
San Benito Foods	Hollister	Canning (mfrs)
San Benito High School	Hollister	Stadiums Arenas & Athletic Fields
San Benito Sheriff	Hollister	Sheriff
Target	Hollister	Department Stores
Trical Inc	Hollister	Farms
True Leaf Farms	San Jn Bautista	Farm Management Service
West Marine	Hollister	Marine Electronic Equip & Supls (whls)
William & Inez Mabie Skilled	Hollister	Hospitals
Willis Construction Co Inc	San Jn Bautista	Concrete Prods-Ex Block & Brick (mfrs)

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2018 2nd Edition.

APPENDIX C

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2017

APPENDIX D

PROPOSED FORM OF SPECIAL COUNSEL OPINION

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by San Benito County (the "County") in connection with the issuance of $_________ 2019 Certificates of Participation (Jail Facility Project) (the "Certificates"). The Certificates are being issued pursuant to Trust Agreement dated as of February 1, 2019 between the County and Wells Fargo Bank, N.A. (the "Trustee") (the "Trust Agreement"). The County covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2019, with the report for Fiscal Year 2017-18, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the County) has not received a copy of the Annual Report, the Dissemination Agent shall contact the County to determine if the County is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the County hereunder.

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

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

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the County for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(1) Number of County employees.

(2) County contribution to Public Employees Retirement System (PERS) for miscellaneous and safety employees.

(3) General and Special Revenue Funds Balance Sheet and General and Special Revenue Funds Summary of Revenues and Expenditures in substantially the format displayed in the Official Statement.

(4) Assessed value, property taxation, collections and delinquency rate.

(5) Teeter Plan Fund Balance requirement, and benefit (or loss) to the County's general fund from the operation of the Teeter Plan.

(6) A table setting forth outstanding balance of County long-term debt and Certificates of Participation, substantially in the form set forth in the Official Statement.

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

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

Section 5. Reporting of Significant Events.

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

(1) Principal and interest payment delinquencies.

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

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

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

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

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

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

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

(9) Defeasances.

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

(11) Rating changes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: _____________, 2019

SAN BENITO COUNTY

By: ________________________________

Title: ______________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Benito County, California
Name of Issue: $ ________ 2019 Certificates of Participation (Jail Facility Project)
Date of Issuance: ____________, 2019

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

Dated:____________, 20__

SAN BENITO COUNTY

By: ________________________________

Title: ______________________________