

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 19, 2021**

**NEW ISSUE—BOOK-ENTRY ONLY**

**RATING:**

**Standard & Poor’s: Note Participations and Notes: “SP-2”**

**(See “RATING” herein)**

*In the opinion of Dannis Woliver Kelley, Bond Counsel to the Districts, under existing law, interest on the Notes represented by the Note Participations is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Note Participations with certain covenants contained in the Resolutions authorizing the Notes and subject to the matters set forth under “TAX MATTERS” herein, interest on the Notes represented by the Note Participations for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Note Participations, and will not be included in computing the alternative minimum taxable income of the owners thereof.*

**\$70,000,000\***

**CONTRA COSTA COUNTY SCHOOLS POOLED CROSS FISCAL YEAR 2020-21  
TAX AND REVENUE ANTICIPATION NOTES, NOTE PARTICIPATIONS SERIES A**

**Interest Rate:**

**Yield:**

**CUSIP No.:** \_\_\_\_\_ – \_\_\_\_\_ †

**Dated: Date of Delivery**

**Maturity Date: December 1, 2021\***

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED AS A SUMMARY OF THE TRANSACTION. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE BUT NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS ASSIGNED THERETO IN THE OFFICIAL STATEMENT.**

The Contra Costa County Schools Pooled Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes, Note Participations Series A (the “Note Participations”) are being executed and delivered pursuant to the terms of a Trust Agreement, dated as of February 1, 2021 (the “Trust Agreement”), by and between certain school districts in Contra Costa County (collectively, the “Districts”) and U.S. Bank National Association, as trustee (the “Trustee”). The Note Participations evidence and represent fractional and undivided interests in certain tax and revenue anticipation notes (individually, a “Note” and collectively, the “Notes”) and debt service payments thereon to be made by the Districts, in the same aggregate principal amount as the Note Participations. The Note Participations are payable by the Districts identified herein. In accordance with California law and the authorizing resolution of each District (each a “Note Resolution”), the Note of each District is payable out of taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys (including moneys deposited in inactive or term deposits, but excepting certain moneys encumbered for a special purpose) of such District which are received in or accrued to fiscal year 2020-21 (collectively, the “Unrestricted Revenues”).

The Note Participations will be prepared in fully registered book-entry form and, when executed and delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Note Participations. Individual purchases and sales of the Note Participations may be made in book-entry form only, in authorized denominations of \$5,000, or any integral multiple thereof. Purchasers of interests in the Note Participations (the “Beneficial Owners”) will not receive certificates representing their interest in the Note Participations purchased. Principal and interest evidenced by the Note Participations will be payable by wire transfer to DTC, which in turn is required to remit such principal and interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the Note Participations, as more fully described herein.

**The Note Participations are not subject to prepayment prior to maturity.**

The Note Participations are being sold to provide operating cash for the Districts’ respective working capital expenditures and the investment and reinvestment of funds for the Districts prior to the receipt of anticipated principal apportionments to be paid by the State of California and other revenues for Fiscal Year 2020-21. Each Note is secured by a pledge of certain Unrestricted Revenues (so pledged, the “Pledged Revenues”) to be received by the District issuing such Note, and each Note shall constitute a first lien and charge thereon and shall be payable from the first moneys received by such District from such Pledged Revenues. To the extent not so paid, each Note shall be paid from any moneys of such District lawfully available therefor. Each Note Resolution requires the applicable District to set aside and deposit in a special fund to be established and held by such District certain amounts from the first Pledged Revenues received by such District in those months described herein so that the amount on deposit in such fund on such dates as described herein, taking into consideration actual investment earnings accrued to such date, is equal to all of the principal of and interest due on such Note, as more fully described herein. The obligation of each District is a several and not a joint obligation and is strictly limited to such District’s repayment obligation under its Note Resolution and Note.

**THE NOTE PARTICIPATIONS EVIDENCE AND REPRESENT LIMITED OBLIGATIONS OF THE INDIVIDUAL DISTRICTS, PAYABLE SOLELY FROM THE NOTES THEREOF. THE OBLIGATION OF THE DISTRICTS TO PAY PRINCIPAL OF AND INTEREST ON THEIR RESPECTIVE NOTES, AS EVIDENCED BY THE NOTE PARTICIPATIONS, DOES NOT CONSTITUTE A DEBT OF THE RESPECTIVE DISTRICTS OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

*The Note Participations are offered when, as and if executed and delivered and accepted by the Underwriter, subject to the approval of validity by Dannis Woliver Kelley, Long Beach, California, Bond Counsel. Certain matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California and for the Trustee by its counsel. The Note Participations in definitive form are expected to be available for delivery through the facilities of DTC in New York, New York on or about February 9, 2021\*.*



Dated: \_\_\_\_, 2021

\* Preliminary subject to change.

† CUSIP is a registered trademark of the American Bankers Association (“ABA”). CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ, on behalf of the ABA. Neither the Underwriter nor the Districts are responsible for the selection or correctness of the CUSIP numbers set forth herein and no representation is made as to their correctness on the applicable Note Participations or as included herein.

**This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.**

No broker, dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Municipal Advisor, the Districts or the Underwriter. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of any District since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Note Participations in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained in this Official Statement has been obtained from the Districts and other sources believed by the Municipal Advisor and the Underwriter to be reliable. The Underwriter has reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Note Participations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “project,” “intend,” “forecast” or other similar words.

Each of the Districts maintains a website and certain social media accounts. However, the information presented there is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Note Participations.

**PARTICIPATING SCHOOL DISTRICTS**

Mt. Diablo Unified School District  
Pittsburg Unified School District

**SPECIAL SERVICES**

**Bond Counsel**

Dannis Woliver Kelley  
*Long Beach, California*

**Municipal Advisor**

Fieldman, Rolapp & Associates, Inc.  
*Irvine, California*

**Trustee**

U.S. Bank National Association  
*San Francisco, California*

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**\$70,000,000\***  
**CONTRA COSTA COUNTY SCHOOLS**  
**POOLED CROSS FISCAL YEAR 2020-21**  
**TAX AND REVENUE ANTICIPATION NOTES,**  
**NOTE PARTICIPATIONS SERIES A**

**INTRODUCTORY STATEMENT**

*This introduction is not a summary of this Official Statement. It is only a brief description of and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. References to and summaries of provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions.*

This Official Statement, including the cover page and appendices hereto (the “Official Statement”), sets forth certain information concerning the Contra Costa County Schools Pooled Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes, Note Participations Series A (the “Note Participations”).

The participating school districts identified in Appendix A hereto (collectively, the “Districts”), located in the County of Contra Costa (the “County”) in the State of California (the “State”), are each issuing a tax and revenue anticipation note (individually, a “Note” and, collectively, the “Notes”) and executing and delivering the Note Participations pursuant to a Trust Agreement, dated as of February 1, 2021 (the “Trust Agreement”), by and among the Districts and U.S. Bank National Association, as trustee (the “Trustee”). Each District is the issuer of its Note which, when combined with the Note of the other District, shall be evidenced by the Note Participations. The Note Participations evidence and represent fractional and undivided interests in the Notes of each District. Each District is severally, not jointly, liable on the Note Participations, in the proportion that the face amount of such District’s Note bears to the total aggregate face amount of the Note Participations.

The Note Participations will be executed and delivered in an aggregate principal amount equal to the aggregate principal amount of the Notes. The Notes are being issued to provide operating cash for the participating Districts’ current working capital expenditures and the investment and reinvestment of funds prior to the receipt of anticipated principal apportionments to be paid by the State and other revenues. The Notes will be delivered to and deposited with the Trustee for the benefit of the registered owners (the “Owners”) of the Note Participations, and the payments on such Notes will be used for the payment of the principal of and interest on the Note Participations attributable thereto, and the Notes shall not be used for any other purpose while any of the Note Participations remain outstanding. For information on the Districts and the Notes of the Districts, see Appendices A, B and C, hereto.

The Note of each District is issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the “Act”) and pursuant to a resolution of issuance adopted by the legislative body of each such District (each a “Note Resolution”). The issuance of a District’s Note will provide moneys to meet such District’s anticipated cash flow needs for its fiscal year ending on June 30, 2021 (“Fiscal Year 2020-21”) created by timing differences between its anticipated expenditures for Fiscal Year 2020-21 and its estimated receipt of certain revenues for Fiscal

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\* Preliminary; subject to change.

Year 2020-21. The aggregate principal amount of the Notes issued will equal the aggregate principal amount of the Participations.

The Note Participations enjoy the benefits of a security interest in the money held in certain funds established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof as set forth therein.

**NEITHER THE OBLIGATION OF EACH DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON ITS RELATED NOTE, NOR THE NOTE PARTICIPATIONS EVIDENCING SUCH DISTRICT'S OBLIGATION, CONSTITUTES A DEBT OF THE DISTRICTS OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

The current COVID-19 (as defined herein) pandemic is having severe economic consequences at state, federal and global levels. The ultimate impact of COVID-19 on the Districts' respective operations and finances is unknown, and there can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact local, state and national economies, enrollment or average daily attendance ("ADA") within the Districts, or the financial condition or operations of the Districts, including the ability of such Districts to make the set-asides of Pledged Revenues or to pay their respective Notes as and when they become due. See "RISK FACTORS – COVID-19 and its Economic Impact" and "RISK FACTORS – Effect of COVID -19 Response on California School Districts" herein.

All capitalized words, unless otherwise defined herein, shall have the meanings set forth in APPENDIX D—"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE TRUST AGREEMENT" or, if not defined therein, in the Trust Agreement.

## **DESCRIPTION OF THE NOTE PARTICIPATIONS**

### **Denominations; Payment of Principal and Interest**

The Note Participations will be prepared in fully registered form and, when executed and delivered, will be registered in the name of Cede & Co., as registered Owner of the Note Participations and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Note Participations. Individual purchases may be made in book-entry form only in denominations of \$5,000, or any integral multiple thereof (each, an "Authorized Denomination"). Purchasers of interests in the Note Participations (the "Beneficial Owners") will not receive certificates representing their interests in the Note Participations purchased, but will instead receive credit balances on the books of their respective nominees.

**So long as Cede & Co. is the registered Owner of the Note Participations, as nominee of DTC, references herein to the "Owners" or "Holders" of the Note Participations (except for under the heading "TAX MATTERS" and in APPENDIX F) shall mean Cede & Co. and shall not mean the Beneficial Owners of the Note Participations.**

The Note Participations will be dated the date of initial execution and delivery thereof (the "Date of Delivery") and will evidence and represent principal and interest accrued thereon from such Date of Delivery, at the rate per annum set forth on the cover page hereof. The Note Participations mature on



December 1, 2021\* (the “Maturity Date”). Interest and principal of the Note Participations is payable as provided herein.

So long as Cede & Co. is the registered Owner of the Note Participations, the principal and interest evidenced by the Note Participations will be payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is expected, in turn, to remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX F—“THE BOOK-ENTRY ONLY SYSTEM.” Interest payable with respect to the Note Participations will be calculated on the basis of a 360-day year consisting of twelve, 30-day months.

### **Registration and Transfer of Note Participations**

So long as the Note Participations are subject to the DTC book-entry system, they will be registered, and may be transferred, as described in APPENDIX F—“THE BOOK-ENTRY ONLY SYSTEM.”

### **No Prepayment**

The Note Participations are not subject to prepayment prior to maturity.

### **ESTIMATED SOURCES AND USES OF PROCEEDS**

The following table lists the estimated sources and uses of proceeds in connection with the Note Participations.

	<u>Total</u>
<b><u>Sources</u></b>	
Principal Amount	
Original Issue Premium	
TOTAL SOURCES	
<b><u>Uses</u></b>	
Deposit to Proceeds Fund <sup>(1)</sup>	
Costs of Issuance <sup>(2)</sup>	
TOTAL USES	

<sup>(1)</sup> Available to be withdrawn by the Districts on and after the closing date.

<sup>(2)</sup> Includes the Underwriter’s discount, legal fees, rating fees, and other costs of issuance.

### **SECURITY AND SOURCE OF PAYMENT**

#### **The Notes**

The Note Participations evidence and represent fractional and undivided interests in the Notes, and in debt service payments on the Notes to be made by the Districts. The Notes are general obligations of the respective Districts and, to the extent not paid from moneys pledged pursuant to the payment thereof, as further described herein, will be paid from other moneys of the Districts legally available therefor. However, except for the Pledged Revenues described herein, the Districts are not prohibited from pledging, encumbering and utilizing their moneys for other purposes and there can be no assurance that such moneys

*\* Preliminary; subject to change.*

will be available for the payment of the Note Participations and the Notes evidenced thereby. **No District has any obligation to pay the principal of or interest on the Note of any other District.**

See APPENDIX A hereto for a listing of each District, the estimated principal amount of each Note, the percentage of each Note with respect to the aggregate principal amount of the Note Participations, and the projected Note payment coverage for each such District.

Pursuant to Section 53586 of the Act, the principal amount of each District’s Note, together with the interest thereon, will be payable from taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys (including moneys deposited in inactive or term deposits, but excepting certain moneys encumbered for a special purpose) of such District, which are received in or accrued to such District’s Fiscal Year 2020-21, and which are generally available for the payment of current expenses and other obligations of such District (collectively, the “Unrestricted Revenues”). As security for the payment of the principal of and interest on its Note, each District has pledged the first Unrestricted Revenues received by such District prior to or in those months set forth in the table below (each such month being a “Repayment Month” for purposes of such District’s Note Resolution) up to an amount which, taking into consideration anticipated investment earnings thereon to be received by the maturity date of such Note, is equal to the respective percentages of principal and interest due on such Note specified in the table below (collectively, the “Pledged Revenues”). The principal of a District’s Note, and the interest thereon, constitute a first lien and charge on such Pledged Revenues and are payable from the first moneys received by such District from such Pledged Revenues and, to the extent not so paid, will be paid from any other moneys of such District lawfully available therefor.

**Tax and Revenue Anticipation Notes of the Districts  
Note Amount, Repayment Months and Percentages\***

District	Note Amount	December 2021
		% of principal and interest
Mt. Diablo Unified School District	\$41,500,000	100%
Pittsburg Unified School District	28,500,000	100

\* Preliminary; subject to change.

In order to effect the pledge of Pledged Revenues, each District has agreed under its Note Resolution to establish and maintain a special account within its general fund (each, a “Payment Account”) and has further agreed and covenanted to maintain its Payment Account until the payment in full of the principal of its Note and the interest thereon. A District may establish its Payment Account with the Trustee. Each District has agreed under its Note Resolution to cause to be set aside in its Payment Account the first Unrestricted Revenues received in or prior to each Repayment Month (and any amounts received thereafter) until the amount on deposit in its Payment Account, together with the amount, if any, on deposit in any subaccount thereof held by the Trustee (a “Payment Subaccount”), is equal, in the respective Repayment Months, to the percentages of principal of and interest due on such Note as described in the table above.

Pursuant to the Trust Agreement, the Trustee will request a certificate from each District evidencing such District’s transfer and deposit to its Payment Account of the amounts required to be so transferred and deposited, as described above, and each District is required within seven (7) Business Days after the date of such written request to file such certificate. See APPENDIX D – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE TRUST AGREEMENT – Note Payments – Confirmation of Deposits to Payment Account.” If a District fails to make or cause to be made such transfer to and deposit in its Payment Account, such failure will constitute an Event of Default (as defined in APPENDIX D) under the Trust Agreement, and the Trustee will have the right, without declaring such District’s Note to be

immediately due and payable, to require such District to pay to the Trustee an amount equal to the principal of such Note and interest thereon to maturity. See also “—Events of Default and Remedies.” Notwithstanding the foregoing, any District for which the Trustee is holding or investing moneys or securities on behalf of said District in a Payment Subaccount in an amount equal to the transfer and deposit required to be made during each Repayment Month, and which moneys or securities are intended to be that District’s Payment Account deposit, need not present the certificate described above; likewise, the Trustee need not send a request for such certificate to said District.

Any moneys placed in a District’s Payment Account will be for the benefit of the Owners of the Note Participations. The moneys in such Payment Account will be applied only for the purposes for which such Payment Account is created until the principal of such District’s Note and all interest thereon are paid or until provision has been made for the payment of the principal of and interest on the Note.

On or before the date specified in the Trust Agreement, the moneys in such District’s Payment Account and Payment Subaccount will be transferred to the applicable Note Participation Payment Fund described herein to pay the interest on and principal of each such District’s Note when due.

### **Cash Flows**

For each District, actual/projected cash flows for Fiscal Year 2020-21 and projected cash flows for fiscal year 2021-22 are included in APPENDIX C – “DISTRICT CASH FLOWS.” Each District has projected a maximum cumulative cash flow deficit to occur as a result of the deferral of principal apportionments for Fiscal Year 2020-21 to fiscal year 2021-22.

The estimates and timing of receipts and disbursements in such cash flow analyses are based on certain assumptions and should not be construed as statements of fact. The cash flow projections represent the current best estimates of the Districts based on information available as of the date of such projections. However, due to the uncertainties inherent in the State budgeting process, these projections are subject to change and may vary considerably from actual cash flows experienced by the Districts during Fiscal Year 2020-21, as well as fiscal year 2021-22. Moreover, payment of State assistance in the amounts anticipated depends on the State adhering to its then-current budget, including the appropriations therein provided for local assistance. The Proposed 2021-22 State Budget (defined herein) includes backfilling the unfunded COLA for Fiscal Year 2020-21 in fiscal year 2021-22 which, if included in the final budget for the State for fiscal year 2021-22, could increase each Districts’ Pledged Revenues above the amounts currently projected. However, the Districts can make no assurance as to whether the State will adopt a budget for fiscal year 2021-22 that includes such a COLA. See “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – State Assistance” for additional information about the State budget. Each District’s cash flow may also be affected by the ongoing COVID-19 pandemic. See “RISK FACTORS – COVID-19 and its Economic Impact” herein

### **Alternate Sources of Liquidity**

Each District maintains certain segregated and special purpose funds outside of its general funds not pledged to the payment of the Notes, which could, if needed and to the extent moneys attributable to Fiscal Year 2020-21 are available therein, be accessed on a temporary basis through Board action. Any transfer between funds generally is repaid to the account of origination prior to the close of the Fiscal Year. See “APPENDIX B – Alternate Sources of Liquidity” for a description of the funds and fund balances that might provide alternate sources of liquidity for payment of the Notes of each District. See also “APPENDIX A – NOTE AMOUNT BY DISTRICT AND COVERAGE ANALYSIS” for information regarding coverage of each District’s Note from Unrestricted Revenues and including alternate sources of

liquidity. For certain Districts, it may be necessary to access alternate sources of liquidity in order to make payments of principal and interest on such District's Note.

### **Deposit of Notes; Application of Note Participation Payment Fund**

Under the Trust Agreement, the Notes, as evidenced and represented by Note Participations, are irrevocably deposited with and pledged and transferred to the Trustee for the benefit of the Owners of the Note Participations, and the payments on the Notes will be used for the punctual payment of the interest and principal evidenced and represented by the Note Participations, and the Notes shall not be used for any other purpose while the Note Participations remain Outstanding. Such deposit, pledge and transfer constitutes a first and exclusive lien on the principal and interest payments of and all other rights under such Notes for the foregoing purpose in accordance with the terms of the Trust Agreement.

All principal and interest payments on a District's Note will be paid directly by such District to the Trustee. All principal and interest payments on a District's Note, as and when received by the Trustee, together with any funds held in the Payment Subaccount as of the Note Payment Deposit Date, will be deposited by the Trustee in the fund designated as the "Note Participation Payment Fund." The Note Participation Payment Fund will be held in trust by the Trustee for the benefit and security of the Owners of the related Note Participations to the extent provided in the Trust Agreement.

Pursuant to the Trust Agreement, the Trustee is required to deposit the moneys contained in the Note Participation Payment Fund at the respective times and in the respective funds as hereinafter summarized, which the Trustee agrees to maintain so long as the Note Participations are Outstanding:

(a) *Interest Fund.* The Trustee shall deposit in the fund designated for payment of interest with respect to the Note Participations (the "Interest Fund") that amount of money representing the interest due and payable on the Notes. Monies in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest evidenced and represented by the Note Participations on the Maturity Date.

(b) *Principal Fund.* The Trustee shall deposit in the fund designated for payment of principal with respect to the Note Participations (the "Principal Fund") that amount of money representing the principal becoming due and payable on the Notes. All moneys in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Note Participations on the Maturity Date.

### **Defaulted Notes**

If a District fails to pay any of the principal of or interest on its Note on the due date thereof, such Note will become a Defaulted Note (as defined in the Trust Agreement). The Trustee will hold such Defaulted Note for the benefit of the Owners of the Note Participations, in the manner specified in the Trust Agreement. If a Note as evidenced and represented by Note Participations shall become a Defaulted Note, the unpaid portion (including the interest component, if applicable) thereof shall be deemed outstanding and shall not be deemed to be paid until the holders of the Note Participations are paid the full principal amount represented by the unsecured portion of such Note plus interest accrued thereon (calculated at the Default Rate) to the date of deposit of such aggregate required amount with the Trustee. Holders of the Note Participations will be deemed to have received such principal amount upon deposit of such moneys with the Trustee.

## **Pledged Revenues and Investment of Note Proceeds**

The Note proceeds, less amounts used to pay costs of issuance, and the Pledged Revenues will be invested in the Treasury Pool (defined herein) of the County. See “INVESTMENT OF DISTRICT FUNDS” and APPENDIX G—“CONTRA COSTA COUNTY TREASURY POOL.” Certain other investments, including investment agreements to be held by the Trustee, are authorized by the Trust Agreement. For further information on the criteria therefor, see the definition of “Permitted Investments” in APPENDIX D.

## **Representations and Covenants of the Districts**

Each District has represented or covenanted, among other things, for the benefit of the Owners, the following:

(a) The District is duly organized and existing under and by virtue of the laws of the State with all necessary power and authority to adopt its Note Resolution and perform its obligations thereunder, to enter into and perform its obligations under the Purchase Agreement (defined herein) for the Note Participations, and to issue its Note and perform its obligations thereunder.

(b) The issuance of the Note, the adoption of its Note Resolution and the execution and delivery of the Purchase Agreement and the Trust Agreement, and compliance with the provisions thereof, will not conflict with or violate any law, administrative regulation, court decree, resolution, charter, by-laws or other agreement to which the District is subject or by which it is bound.

(c) The District has duly, regularly and properly adopted its budget for the Fiscal Year 2020-21 setting forth expected revenues and expenditures, including any deferred State apportionments, and has complied with all statutory and regulatory requirements with respect to the adoption of such budget.

(e) The District will not incur any indebtedness secured by a pledge of its Pledged Revenues unless such pledge is subordinate in all respects to the pledge of Pledged Revenues as described herein.

(f) So long as the Note Participations are Outstanding, the District will not create or suffer to be created any pledge of or lien on its Note other than the pledge and lien of the Trust Agreement.

(g) Each District, while its Note is outstanding, will not request the Treasurer-Tax collector of the County (the “Treasurer”) (see “INVESTMENT OF DISTRICT FUNDS” herein) to make temporary transfers of funds of the Treasurer to meet any obligations of the District during Fiscal Year 2020-21 or fiscal year 2021-22 pursuant to Article XVI, Section 6 of the Constitution of the State of California.

## **Events of Default and Remedies**

***Events of Default.*** Pursuant to each District’s Note Resolution each of the following events is defined as an Event of Default with respect to the Notes:

(a) Failure by the District to make any payment required to be paid pursuant to its Note Resolution with respect to its Note, including payment of principal and interest thereon, on or before the date on which such payment is due and payable;

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under its Note Resolution with respect to its Note, for a period of fifteen (15) days after written notice, specifying such failure and requesting that it be remedied, is given to the District by the Trustee;

(c) Any warranty, representation or other statement by or on behalf of the District contained in its Note Resolution or the Purchase Agreement, or in any requisition or any financial report delivered by the District or in any instrument furnished in compliance with or in reference to its Note Resolution or the Purchase Agreement or in connection with the Note, is false or misleading in any material respect;

(d) A petition is filed against the District under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, and is not dismissed within 30 days after such filing;

(e) The District files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, or the District consents to the filing of any such petition against it under such law; or

(f) The District admits insolvency or bankruptcy or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the District or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 30 days.

See also APPENDIX F – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF TRUST AGREEMENT – Default and Limitations of Liability.”

**Remedies.** Whenever any Event of Default shall be continuing, the Trustee shall, in addition to any other remedies provided by law or under the Trust Agreement, has the right, at its option without any further demand or notice, to take one or any combination of the following remedial steps:

(a) Without declaring the Note to be immediately due and payable, require the District to pay to the Trustee, as holder thereof, an amount equal to the principal of and interest thereon due to maturity, plus all other amounts due under the Note Resolution; or

(b) Take whatever other action at law or in equity (except for acceleration of payment on the Note) which may appear necessary or desirable to collect the amounts then due and thereafter to become due under its Note Resolution or to enforce any other of its rights thereunder.

### **INVESTMENT OF DISTRICT FUNDS**

Most school district funds are deposited into the treasury of the county, the county superintendent of which has jurisdiction over the school district, to the credit of the proper fund of such district. Certain moneys not required for the immediate necessities of a district may be invested in investments specified in Sections 16430 or 53601 of the Government Code. Accordingly, all funds of each participating District

not subject to the exception, including cash receipts and other moneys intended as receipts for deposit to the general fund of such District, including such District's Pledged Revenues and Unrestricted Revenues, are typically deposited with the pooled fund maintained by the County for the investment of surplus, discretionary and other moneys of, among others, special districts (the "County Treasury Pool"), to remain on deposit therein and generally available for the payment of current expenses and other obligations of the Districts, until deposited into their respective Payment Accounts. The Districts expect to invest their note proceeds in the County Treasury Pool. For information on the County Treasury Pool, see APPENDIX G—"CONTRA COSTA COUNTY TREASURY POOL."

The County Treasury Pool is subject to statutory restrictions and additional policy restrictions as may be determined by the Board of Supervisors of the County (the "County Board"). The County Treasury Pool consists of the deposits of the County, cities, special districts and other independent public agencies, with a certain class of "involuntary" depositors, including school districts, within the County. Discretionary treasury pool participants comprise a minority of those participants. Decisions as to the investment of the County Treasury Pool are made by the Treasurer, who establishes policies for such investments, taking into account the restrictions set forth in Section 53601 *et seq.* of the Government Code, the County Board's policies, his or her own judgment, and certain other criteria such as safety of principal, liquidity and return on investment. Quarterly reports of investments in the County Treasury Pool are made available to the County Board, and investments are subject to internal controls and audits.

The County maintains a county treasury oversight committee, pursuant to Section 27131 of the Government Code, which meets periodically to review and monitor the investments and investment policies of the Treasurer for compliance.

None of the Districts controls the investments made by the County in the County Treasury Pool, and the County Treasury Pool will fluctuate by the amount invested and compositions of the investments during each fiscal year. Accordingly, the Districts cannot make representations regarding the security afforded by investments in the County Treasury Pool. For additional information on the County Treasury Pool, see APPENDIX G—"CONTRA COSTA COUNTY TREASURY POOL." See also "Risk Factors-Bankruptcy" herein.

## **RISK FACTORS**

*In evaluating a purchase of the Note Participations, potential investors should consider the following factors, together with all other information in this Official Statement. The following, however, do not purport to be an exhaustive listing of risks and other considerations that may be relevant to an investment in the Note Participations. Moreover, the following is not presented in an order reflective of their important or significance to potential investors.*

### **COVID-19 Outbreak and its Economic Impact**

In late 2019, an outbreak of Coronavirus Disease ("COVID-19"), a respiratory virus, occurred in China, and since that time has been spreading globally. The global outbreak, together with measures underway to attempt to limit the spread of COVID-19 imposed by local and federal governments, has caused volatility in financial markets as well as restrictions and closures of many businesses.

On March 13, 2020, responding to the evolving COVID-19 situation, President Trump declared a national emergency, making available more than \$50 billion in federal resources to combat the spread of the virus. On March 23, 2020 the Federal Reserve Bank lowered the federal funds rate to between zero and one quarter percent, announced a Treasury security and agency backed-mortgage security buying program and emergency credit and liquidity facilities for financial institutions. On March 27, 2020, the Coronavirus

Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted in order to provide relief and stimulus to American businesses and individuals impacted by COVID-19. The CARES Act, in relevant part, (i) created a \$349 billion loan program for small businesses, (ii) provided a payment of \$1,200 to each American earning \$75,000 a year or less (\$150,000 for couples filing jointly) and \$500 for each child, (iii) expanded eligibility for unemployment and increased benefits by \$600 per week for up to four months, (iv) designated \$339.8 billion for state and local governments with \$274 billion for COVID-19 response efforts as well as an additional \$13 billion for K-12 schools, (v) allocated \$500 billion in loans and investments to businesses, including \$58 billion to the airline industry, (vi) allocated \$100 billion to hospitals and health providers and increased Medicare reimbursements for treating coronavirus and (vii) delayed federal student loan payments until September 2020.

In response to the outbreak of COVID-19 in the State, on March 4, 2020, Governor Gavin Newsom declared a State of Emergency (the “March 4 Emergency Declaration”). The March 4 Emergency Declaration was intended to make additional resources available, formalize emergency actions underway across multiple State agencies and departments, and assist the State in preparing for the spread of COVID-19.

On March 19, 2020, Governor Newsom issued Executive Order N-33-20, a mandatory statewide shelter-in-place order (the “Order”) applicable to all non-essential services. The Order also set forth a roadmap in four phases for the State for shelter-in-place restrictions. On May 7, 2020, Governor Newsom ordered a gradual movement into “Phase 2” of the roadmap in which lower-risk workplaces could re-open to the public for business in accordance with industry specific safety guidelines.

As a result of an increase in transmission of COVID-19 during the summer months of 2020, on July 13, 2020, the Governor ordered the closing of all bars throughout the State, as well as indoor operations at certain businesses such as live sports events, theme parks, restaurants, movie theaters and museums, which had previously re-opened. In addition, in certain counties listed on the County Monitoring List, which tracks counties that have increases in certain metrics such as disease transmission and hospitalization rate, indoor activity at gyms, cultural centers and personal care services were also ordered closed. In September, 2020, the County Monitoring List was replaced by the “Blueprint for a Safer Economy” which categorizes counties according to a color-coded risk assessment related to certain metrics of disease transmission. As such metrics increase or decrease within a county, such county will move along the risk assessment levels which correspond with regulations on economic and social activity.

On September 29, the County moved out of the most restrictive purple “Widespread” risk tier to the red “Substantial” risk tier and on October 27<sup>th</sup> the County was further downgraded to the Orange “Moderate” risk tier of the Blueprint for a Safer Economy. However, on November 10, in response to increasing case counts, the County was moved to the red “Widespread” risk tier and on November 16, back up to the purple “Substantial” risk tier as cases continued to increase.

Due to an increase in the case rates and hospitalizations due to COVID-19, on December 3, 2020, the Governor announced a new stay-at home order (the “Regional Stay-at-Home Order”) effective December 5, 2020, that will be triggered by intensive care unit (“ICU”) capacity dropping below 15% in a given region. For purposes of the Regional Stay-at-Home Order, the State is divided into five regions: Northern California, Bay Area, Greater Sacramento, San Joaquin Valley and Southern California. The Regional Stay-at-Home Order temporarily supersedes the Blueprint for a Safer Economy regulations. Once the Regional Stay-at-Home Order is triggered in any region residents in that region are required to stay at home as much as possible and minimize mingling with those outside their household to reduce unnecessary exposure to COVID-19. Outdoor recreational activities that are socially distanced and masks are worn, retail operations at 20% capacity, restaurants for pick-up or take out only and outdoor religious practice are permitted under the Regional Stay-at-Home Order. A region that triggers the Regional Stay-at-Home Order



must remain under its restrictions for a minimum of three weeks and then may return to the Blueprint for Safer Economy guidelines once their ICU capacity projected four weeks out reaches 15%. The Regional Stay-at-Home Order does not change the guidelines for school re-openings and school districts that have re-opened prior to the Regional Stay-At-Home Order being triggered may remain open for in-person instruction if it is triggered.

The Districts lie within the Bay Area region. Currently, the Bay Area region ICU capacity is below 15% and the Regional Stay-at-Home Order has been triggered and is operative.

In order to provide extensions to certain benefits previously provided under the CARES Act, as well as address ongoing economic impacts of the COVID-19 Pandemic, on December 27, 2020, the federal government enacted H.R. 133, Consolidated Appropriations Act, 2021 (“H.R. 133”), making consolidated appropriations for the fiscal year ending September 30, 2021 which included \$900 billion of coronavirus emergency response and relief. H.R. 133, in relevant part, provides (i) \$54.3 billion for K-12 schools and \$22.7 billion for higher education, (ii) \$10 billion for child care, (iii) \$13 billion for nutrition programs, (iv) \$284 billion to restart the Paycheck Protection Program, (v) \$600 stimulus payments to qualifying individuals and \$600 for dependents, (vi) supplemental weekly federal unemployment benefits of \$300 into mid-March 2021, (vii) \$30 billion for vaccine procurement and distribution, (viii) \$7 billion for expansion of internet access, (ix) a year-long extension, until December 31, 2021, to spend \$150 billion provided under the CARES Act, (x) an extension of eviction protection until January 31, 2021, and (xi) \$25 billion in rental assistance for individuals who lost their sources of income during the pandemic.

As the transmission rates of COVID-19 increase or decrease corresponding actions may be taken by State and local authorities to increase or decrease social distancing protocols including the closure of certain businesses which might have further negative economic consequences. The Districts cannot predict the trajectory of the COVID-19 pandemic or future actions that might be taken as a result.

As a result of the various regulations imposed in order to slow the spread of COVID-19 since its outbreak, economic activity within the State and the County, including the communities around and within the County and the Districts has been depressed. Generally, a majority of the State’s general fund revenue is derived from personal income tax receipts. Given stock market declines in the initial weeks of the pandemic and business closures in response to the COVID-19 outbreak and related shelter in place requirements, income tax and capital gains tax receipts were projected to not be sufficient to fund the State budget for fiscal years 2018-19 and 2019-20 at the levels originally budgeted. Such projected decline in State revenues has impacted State funding of school districts in fiscal year 2020-21, including the Districts and may continue to impact State funding of school districts, including the Districts, in the future. However, the Proposed 2021-22 State Budget indicates that the decline in State revenues was not as severe as originally projected. See “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – State Assistance” below for information regarding the deferral of revenues to school districts caused by the impact of COVID-19 on the State budget.

The Districts receive the large majority of their revenues from LCFF Sources (as defined herein) which are comprised of local property taxes and State moneys. When the State experiences a decline in revenue, there may be a resulting decline in revenue available for funding school districts. See “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – State Assistance” below for a discussion of the impacts of COVID-19 on the fiscal year 2020-21 and 2021-22 State budgets.

### **Effect of COVID-19 Response on California School Districts**

On March 13, Governor Newsom issued Executive Order N-26-20, providing that school districts that initiate a school closure to address COVID-19 shall continue to receive state funding to support all of

the following during the period of closure: (1) continued delivery of high-quality educational opportunities to students through, among other options, distance learning and/or independent study; (2) the provision of school meals in noncongregate settings; (3) arrangement for supervision for students during ordinary school hours; and (4) continued payment of school district employees. Executive Order N-26-20 also provides that statutory mandated maintenance of schools for a minimum of 175 days is waived for school districts that initiate a school closure to address COVID-19.

To address the impacts of school closures and the COVID-19 response, the California legislature adopted and the Governor has signed Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”), which bills took immediate effect. SB 89 amended the Budget Act of 2019 by appropriating \$500,000,000 from the State General Fund for any purpose related to the March 4 Emergency Declaration. The second bill, SB 117, addressed economic impacts to school districts directly. Among other things, SB 117 provided that, for all school districts that comply with Executive Order N-26-20, attendance during only full school months from July 1, 2019, to February 29, 2020, inclusive, will be reported for apportionment purposes. SB 117 also held harmless school districts not meeting minimum instructional day and minute requirements, in order to prevent a loss of funding related to school closures due to the outbreak. SB 117 also held harmless grantees operating after-school education and safety programs that are prevented from operating such programs due to COVID-19, and credit such program grantees with the ADA that the grantee would have received had it been able to operate but for COVID-19. Finally, SB 117 appropriated \$100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites.

On July 17, 2020, the California Department of Public Health (“CDPH”) announced guidance for schools and school-based programs including all public, charter and private schools with respect to re-opening for the 2020-21 school year. Under that guidance, schools and school districts could reopen for in-person instruction at any time if they are located in a local health jurisdiction that has not been on the county monitoring list for at least 14 days. If the school district meets this requirement, local health guidelines should then guide and assist in the determination of whether to open for in-person instruction. The State, in August, subsequently announced its “Blueprint for a Safer Economy” which replaces the county monitoring list system with a color-coded risk assessment for each county. Similar to the monitoring list, the county in which a school district is located must move out of the highest risk category for a period of 14 days before being eligible to reopen for in-person instruction. Elementary schools may apply for a waiver of the in-person instruction criteria to their local health officers in consultation with CDPH.

The Districts cannot predict the extent or duration of the outbreak of COVID-19 or what impact it may have on their general fund revenues, (including their ability to make set aside payments of Pledged Revenues or otherwise pay their Note) enrollment or ADA or whether funding based on ADA will decrease as a result of decreases in enrollment and ADA due to the impact of COVID-19. Other potential impacts to the Districts associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the volatility in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District’s required contribution rates in future fiscal years.

## **Limited Obligations of the Districts**

The Note Participations are limited obligations of the Districts, severally and not jointly, payable solely from payments of principal of and interest on the related Notes. The obligation of each District to pay principal of and interest on the Notes evidenced by the Note Participations does not constitute a debt of the Districts within the meaning of any constitutional or statutory debt limitation or restriction.

## **Limited Source of Repayment for Notes and Defaulted Notes**

The primary source of repayment of the Note Participations is payments on the Notes. In order for Owners of the Note Participations to be paid in full in a timely manner, 100% of the payments with respect to the Notes must be paid as and when due. A District is liable on its Note (even in the event that such Note becomes a Defaulted Note) only to the extent of its Unrestricted Revenues. If such Unrestricted Revenues are not sufficient to pay its Note or Defaulted Note, as the case may be, such District is not obligated to pay such Note or Defaulted Note from any other sources (including subsequent fiscal years' revenues).

## **Bankruptcy**

Pledged Revenues of the Districts may be invested in the County Treasury Pool. See "INVESTMENT OF DISTRICT FUNDS" herein. In the event of a petition for the adjustment of debts of any of the Districts under Chapter 9 of the United States Bankruptcy Code, or in the event of a bankruptcy of the County, while Pledged Revenues are invested in the County's Treasury Pool, a court might hold that the Owners of the Note Participations do not have a valid prior lien on Pledged Revenues. In that case, unless such Owners could "trace" Pledged Revenues deposited into the County Treasury Pool, the Owners would be unsecured (rather than secured) creditors of such District. The Districts can make no assurance that the Pledged Revenues can be so traced. As such, the filing of bankruptcy by one or more of the Districts could delay or impair the payment of all or a portion of the Note Participations. Further, the opinion of Bond Counsel as to the enforceability of the Notes is expressly qualified by a declaration of bankruptcy.

## **No Joint Obligation**

The obligation of a District to make payments on or in respect to its Note is a several and not a joint obligation and is strictly limited to such District's repayment obligation under its Note Resolution and its Note.

## **FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA**

### **Major Revenues**

***Local Control Funding Formula.*** State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as a part of the 2013-14 State Budget (defined below) enacted the LCFF beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. See "-Revenue Limit Funding System" below. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91"). The LCFF distributes resources to schools through a guaranteed base funding grant (the "Base Grant") per unit of ADA. The average Base Grant is \$7,643 per unit of ADA, which is \$2,375 more than the average revenue limit. A Base Grant is assigned to each of four grade spans. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

For fiscal year 2020-21, the LCFF provided to school districts and charter schools a Target Base Grant for each Local Education Agency ("LEA") equivalent to (a) \$8,503 per ADA for kindergarten

through grade 3; (b) \$7,818 per ADA for grades 4 through 6; (c) \$8,050 per ADA for grades 7 and 8; and (d) \$9,572 per ADA for grades 9 through 12.

Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of cost-of-living-adjustments is now subject to appropriation for such adjustment in the annual State budget. For fiscal year 2020-21, no cost-of-living-adjustment (COLA”) was included in LCFF funding as a result of the decrease in State revenues budgeted due to the COVID-19 pandemic’s impact on the State economy. See “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – State Assistance” herein for a discussion of the proposal to backfill the Fiscal Year 2020-21 COLA in fiscal year 2021-22 . The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals (“FRPM”) and are not discussed separately herein, except that the percentage of LI students and foster youth receiving FRPM are set forth in the table on the following page). A supplemental grant add-on (each, a “Supplemental Grant”) is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following tables sets forth the ADA, enrollment and the percentage of unduplicated EL/L enrollment for the Districts for fiscal years 2015-16 through 2020-21.

**ADA AND ENROLLMENT  
Fiscal Years 2015-16 through 2020-21**

**Mt. Diablo Unified School District**

Fiscal Year	ADA	Enrollment	% of EL/LI Enrollment
2015-16	30,463	31,757	23%
2016-17	30,236	31,580	23
2017-18	30,267	30,779	23
2018-19	29,377	30,727	20
2019-20	29,121	30,724	20
2020-21 <sup>1</sup>	29,121	29,587	20

<sup>1</sup> Budgeted.  
Source: *Mt. Diablo Unified School District.*

**Pittsburg Unified School District**

Fiscal Year	ADA	Enrollment	% of EL/LI Enrollment
2015-16	10,517	11,072	32.9%
2016-17	10,868	11,489	30.9
2017-18	10,906	11,537	29.6
2018-19	10,747	11,341	25.5
2019-20	10,642	11,193	25.1
2020-21 <sup>1</sup>	10,642	10,943	26.4

<sup>1</sup> Budgeted.  
Source: *Pittsburg Unified School District.*

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants will be multiplied by such district’s ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district’s share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Certain schools districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The Districts do not currently qualify as basic aid, and do not expect to in future fiscal years.

**Accountability.** The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school district can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs, covering a three year period, are required to be adopted annually. The State Board of Education has developed and adopted a template LCAP for use by school districts.

**Support and Intervention.** AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district’s LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district’s LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district’s strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

**Revenue Limit Funding System.** Prior to the implementation of the LCFF, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit (described below) per unit of ADA. Generally, such apportionments amounted to the difference between the Districts’ revenue limit and the Districts’ local property tax allocation. Revenue

limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (i.e., unified, high school or elementary). State law also provided for State support of specific school related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

## **Revenue Sources**

Including LCFF, the Districts categorize their general fund revenues into four sources, each of these revenue sources is briefly described below. For more information regarding the LCFF, see “-Major Revenues” above.

**LCFF Sources.** State funding under the LCFF consists of Base Grants and supplemental grants as described above. See “- Major Revenues” above.

**Federal Revenues.** The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Child Succeeds.

**Other State Revenues.** The Districts receive some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, instructional materials, and various block grants.

The Districts receive State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material.

**Other Local Revenues.** In addition to property taxes, the Districts receive additional local revenues from items such as interest earnings, interagency services and other local sources such as lease revenues, developer fee revenues and pass-through tax increment revenues (as applicable).

## **State Assistance**

*The following information concerning the State’s budget has been obtained from publicly available information which the Districts and the Underwriter believe to be reliable; however, neither the Districts nor the Underwriter guaranty the accuracy or completeness of this information, and neither of the foregoing has independently verified such information.*

**2020-21 State Budget.** Governor Newsom signed the budget for the State for fiscal year 2020-21 (the “2020-21 State Budget”) on June 29, 2020. The 2020-21 State Budget reflected the impact of the global economic crisis caused by the COVID-19 pandemic on the State. The 2020-21 State Budget restated resources for fiscal year 2019-20 to \$148.9 billion and expenditures for fiscal year 2019-20 to \$146.9 billion. For fiscal year 2020-21, the 2020-21 State Budget projected total resources of \$139.7 billion with expenditures of \$133.9 billion. The 2020-21 State Budget closed a \$54.3 billion budget deficit and set aside \$2.6 billion in the Special Fund for Economic Uncertainties, including \$716 million for the State to respond quickly to the changing conditions of the COVID-19 pandemic. Despite significantly reducing the structural deficit over the next several years, an \$8.7 billion operating deficit was still forecasted in 2021-22, after accounting for reserves. The 2020-21 State Budget was balanced as follows:

- Draw Down of Reserves—\$8.8 billion draw down in reserves from the Budget Stabilization Fund (\$7.8 billion), the Safety Net Reserve (\$450 million), and all of the funds in the Public School System Stabilization Account (the “PSSSA”).
- Triggers—\$11.1 billion in reductions and deferrals that would be restored if at least \$14 billion in federal funds were received by October 15, 2020. If the State received a lesser amount between \$2 billion and \$14 billion, the reductions and deferrals would be partially restored.
- Federal Funds—\$10.1 billion in federal funds that provided general fund relief, including \$8.1 billion already received, including the enhanced Federal Medical Assistance Percentage, a portion of the state's Coronavirus Relief Fund allocation and funds provided for childcare programs.
- Revenues—suspension of net operating losses for medium and large businesses and temporarily limit to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year which would generate \$4.4 billion in new revenues in the 2020-21 fiscal year.
- Borrowing/Transfers/Deferrals—\$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools.
- Cancelled Expansions, Updated Assumptions and Other Solutions—\$10.6 billion of solutions includes: i) cancelling multiple program expansions and anticipating increased government efficiencies; ii) higher ongoing revenues and iii) lower health and human services caseload costs.

Included in the 2020-21 State Budget were approximately \$5.7 billion of expenditures related to the COVID-19 pandemic, of which the State expected to be reimbursed for approximately 75%. The 2020-21 State Budget also made new investments in wildfire prevention and mitigation, including \$85.6 million to CAL FIRE for firefighting resources and surge capacity and \$50 million for community power resiliency. The 2020-21 State Budget also supported the new State Earthquake Early Warning Program, integrated the Seismic Safety Commission into the California Office of Emergency Services, and expanded efforts to address cybersecurity threats. In an effort to reduce the cost of government functions, nearly all State operations were intended under the 2020-21 State Budget to be reduced by approximately 5% over the next two years. Nonessential contracts, purchases, and travel were suspended and departments were directed to fill only the most essential vacant positions.

With respect to K-12 education, the 2020-21 State Budget included total funding of \$98.8 billion (\$48.1 billion general fund and \$50.7 billion other funds) for all K-12 education programs. The 2020-21 State Budget estimated Proposition 98 funds of \$78.5 billion in fiscal year 2018-19, \$77.7 billion in fiscal year 2019-20 and \$70.9 billion in fiscal year 2020-21. For K-12 schools, this resulted in Proposition 98 per pupil spending of \$10,654 in 2020-21, a \$1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all state, federal, and local sources decreased by approximately \$542 per pupil to \$16,881. To help mitigate the negative impacts of the decline in funding for K-12 schools and California community colleges, the 2020-21 State Budget included deferrals, learning loss mitigation, supplemental appropriations and supplemental retirement program contributions.

The 2020-21 State Budget included \$1.9 billion of LCFF apportionment deferrals in 2019-20, growing to \$11 billion in LCFF apportionment deferrals in 2020-21. Additionally, the statutory LCFF COLA was suspended in fiscal year 2020-21. Of the total deferrals, \$5.8 billion would be triggered off in 2020-21 if the federal government provided sufficient funding that could be used for this purpose.

The 2020-21 State Budget included a one-time investment of \$5.3 billion (\$4.4 billion federal Coronavirus Relief Fund, \$539.9 million Proposition 98 funds, and \$355.2 million federal Governor’s



Emergency Education Relief Fund) to local educational agencies to address learning loss related to school closures as a result of COVID-19. \$2.9 billion of such funds would be allocated based on the LCFF supplemental and concentration grant allocation; \$1.5 billion would be based on number of students with exceptional needs and \$979.8 million would be based on total LCFF allocation.

Supplemental appropriations in the 2020-21 State Budget equal to 1.5% of general fund revenues, beginning in fiscal year 2021-22, up to a cumulative \$12.4 billion, were intended to offset decreases in Proposition 98 funding also included in the 2020-21 State Budget. The 2020-21 State Budget also re-directed \$2.3 billion to STRS and PERS originally intended to reduce long-term unfunded liabilities to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. See “DISTRICT INFORMATION –Retirement Systems” for details on reductions to the STRS and PERS employer contribution rates in fiscal years 2020-21 and 2021-22.

Other significant features of the 2020-21 State Budget relating to K-12 education included the following:

- \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds with 90% (\$1.5 billion) allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs and the remaining 10% (\$164.7 million) for COVID-19 related state-level activities.
- An increase in the special education base rates to \$625 per pupil, apportioned using the existing hold harmless methodology, and \$100 million to increase funding for students with low-incidence disabilities
- \$15 million federal Individuals with Disabilities Education Act (“IDEA”) funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline, \$8.6 million IDEA funds to assist local educational agencies with developing regional alternative dispute resolution services and statewide mediation services, and \$1.1 million IDEA funds for a study of the current special education governance and accountability structure.
- ADA hold-harmless for the purpose of calculating apportionment in the 2020-21 fiscal year with ADA based on fiscal year 2019-20, except for new charter schools commencing instruction in 2020-21.
- An exemption for local educational agencies from the annual minimum instructional minutes requirement such that minimum daily instructional minutes and minimum instructional day requirements may be met through a combination of in-person and distance learning instruction.
- New requirements for distance learning services, including the provision of devices and connectivity and supports for students with exceptional needs, English language learner students, youth in foster care, and youth experiencing homelessness, as well as students in need of mental health supports. Daily interaction with students in distance learning is required and local educational agencies are required to provide access to nutrition programs.
- Distance learning attendance requirements, including documentation of daily student participation, weekly engagement records, and attendance reporting for purposes of chronic absenteeism tracking, re-engagement strategies for students who do not participate and regular engagement with parents or guardians regarding academic progress.

- Fiscal penalties for local educational agencies offering distance learning that do not meet instructional day requirements or the attendance-related requirements.
- Replacement of the LCAP with a Learning Continuity and Attendance Plan, to be completed by September 30, 2020 including:
  - A description of how the local educational agency will provide continuity of learning during the COVID-19 pandemic and address distance learning, learning loss, mental health and social-emotional well-being, professional development, pupil engagement and outreach and school nutrition;
  - Local educational agency expenditures related to addressing the impacts of the COVID-19 pandemic; and
  - How local educational agencies are increasing or improving services in proportion to funds generated on the basis of the number and concentration of English learners, youth in foster care, and low-income students pursuant to the LCFF.
- Suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff and suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021.

***Proposed 2021-22 State Budget*** On January 8, 2021, Governor Newsom released his proposal for the budget for the State for fiscal year 2021-22 (the “Proposed 2021-22 State Budget”) citing immediate relief for individuals and small businesses disproportionately impacted by Covid-19, the safe reopening of schools and extended learning time, and investment in strategies for creating quality jobs as priorities. The Proposed 2021-22 State Budget includes general fund revenues and transfers of \$158.3 billion and expenditures of \$164.5 billion in fiscal year 2021-22. The Proposed 2021-22 State Budget also revises revenue expectations for fiscal year 2020-21 up to \$162.7 billion, an increase of \$23 billion over the 2020-21 State Budget, and expenditures in fiscal year 2020-21 to \$155.8 billion, an increase of \$22 billion over the 2020-21 State Budget. While the Proposed 2021-22 State Budget is balanced, and reflects a significant increase in revenues over the 2020-21 State Budget, a structural deficit of \$7.6 billion is projected for 2022-23 that is forecast to grow to over \$11 billion by 2024-25. To provide resiliency, \$34 billion of reserves and discretionary surplus are included in the Proposed 2021-22 State Budget to bring the Budget Stabilization Account balance to \$15.6 billion; the Safety Net Reserve balance to \$450 million; the PSSSA to \$3 billion; and the State’s operating reserve to an estimated \$2.9 billion.

The Proposed 2021-22 State Budget proposes \$3 billion of Covid-19 relief for immediate action in January, 2021 including \$2.4 billion for the Golden State Stimulus, a \$600 tax refund to low-income workers who were eligible to receive the earned income tax credits for calendar years 2019 and 2020, as well as \$575 million for grants to small businesses and small non-profit cultural institutions disproportionately impacted by the pandemic. To accelerate economic recovery and job creation, the Proposed 2021-22 State Budget includes i) \$777.5 million for a California Jobs Initiative to accelerate investment and job creation; ii) \$353 million for work force development; iii) \$1.5 billion for infrastructure and to implement the state's zero-emission vehicle goals; iv) \$500 million for infill infrastructure to accelerate housing development; v) \$385 million for targeted investments to build a more sustainable agricultural industry; and vi) \$300 million for deferred maintenance and greening of state infrastructure.

K-12 education funding under the Proposed 2021-22 State Budget reaches a new high. Total Proposition 98 funding is proposed to be \$85.8 billion. Total K-12 per pupil expenditures are projected to be \$18,837 in 2020-21 (\$12,354 in Proposition 98 funds and \$6,483 other funds) and \$18,000 in 2021-22

(\$12,648 in Proposition 98 funds and \$5,352 other funds). LCFF funding equals \$64.5 billion under the Proposed 2021-22 State Budget. In order to address the lack of a statutory COLA in the 2020-21 State Budget, the Proposed 2021-22 State Budget funds both the 2020-21 COLA (2.31%) and the 2021-22 COLA (1.5%) in fiscal year 2021-22, creating a compounded combined COLA of 3.84% for fiscal year 2021-22.

The apportionment deferrals included in the 2020-21 State Budget for fiscal year 2020-21 remain in place and such apportionments will be paid during fiscal year 2021-22. The Proposed 2021-22 State Budget eliminates any apportionment deferrals in fiscal year 2021-22 with the exception of the deferral in June 2022 which remains delayed until July 2022. The 1.5% supplemental appropriation to school districts in the 2020-21 State Budget is eliminated due to the increase in revenues, however, a one-time supplemental payment of \$2.3 billion is included to address Covid-19 related needs.

In accordance with Proposition 2 (described below), the Proposed 2021-22 State Budget projects deposits to the Budget Stabilization Account of \$747 million in 2020-21 and \$2.2 billion in 2021-22. Additionally, such deposits will trigger the 10% cap on school district reserves in fiscal year 2022-23.

*In-Person Instruction Grants.* Also calendared for immediate action in January in order to assist local educational agencies in returning to in-person instruction, the Proposed 2021-22 Proposed Budget includes \$2 billion of Proposition 98 funds to augment resources for schools to offer in-person instruction safely. Beginning in February 2021 with respect to TK through second grade students and March 15 for third through sixth grade students, county schools, school districts and charter schools (except certain non-classroom based charter schools) that continue or begin offering in-person instruction would receive a base grant of \$450 per pupil up to \$700 per pupil based on enrollment of low-income, foster youth and English learners. Local education agencies that commence in-person instruction at a later date will qualify for a proportionally lower base grant, except those in counties with high rates of community spread. School districts in counties of high community spread will be eligible for the full February base grant if they open for in-person instruction pursuant to State and local health guidance once their rates of community spread sufficiently decline. The base grants may be expended for any purpose that supports in-person instruction, including Covid-19 testing, personal protective equipment and other in-person operating expenses such as teacher and staff salaries.

*Expanded Learning Time.* To address learning loss caused by distance learning and other learning disruptions due to Covid-19, the Proposed 2021-22 State Budget provides \$4.6 billion Proposition 98 funds for school districts to design targeted interventions that focus on students from low-income families, English language learners, youth in foster care, and homeless youth, including an extended school year or summer school. The funds would be eligible for targeted strategies that address learning loss related to the pandemic, including community learning hubs.

The Proposed 2021-22 Proposed State Budget includes \$315.3 million for educator professional development, with emphases on developing quality training in high-need areas and providing timely access to training, including:

- \$250 million one-time Proposition 98 funds for the Educator Effectiveness Block Grant to provide local educational agencies with resources to expedite professional development for teachers, administrators, and other in-person staff, in high-need areas including accelerated learning, re-engaging students, restorative practices, and implicit bias training.
- \$50 million one-time Proposition 98 funds to create statewide resources and provide targeted professional development on social-emotional learning and trauma-informed practices.

- \$8.3 million one-time Proposition 98 funds for the California Early Math Initiative to provide teachers with professional development in mathematics teaching strategies for young children pre-K through third grade.
- \$7 million one-time non-Proposition 98 funds to the University of California Subject Matter Projects to create high-quality professional development on learning loss in core subject matter content areas like reading and math, and in ethnic studies.
- \$5 million one-time Proposition 98 funds for professional development and instructional materials for local educational agencies who are offering, or would like to offer, courses on ethnic studies.

To increase the well-prepared educator workforce, the 2021-22 Proposed State Budget includes \$225 million to be allocated as follows:

- \$100 million one-time non-Proposition 98 funds for continued investment in the Golden State Teacher Grant Program, which provides grants to students enrolled in teacher preparation programs who commit to working in high-need fields and at schools with high rates of under-prepared teachers.
- \$100 million one-time Proposition 98 funds to expand the Teacher Residency Program, which supports clinical teacher preparation programs dedicated to preparing and retaining teachers in high-need communities and subject areas, including special education, bilingual education, and STEM.
- \$25 million one-time Proposition 98 funds to expand the Classified School Employees Credentialing Program, which provides grants to local educational agencies to recruit non-certificated school employees to become certificated classroom teachers.

Other significant provisions of the Proposed 2021-22 State Budget related to K-12 education include the following:

- \$300 million ongoing Proposition 98 funds for the Special Education Early Intervention Grant to increase the availability of evidence-based services for infants, toddlers, and preschoolers.
- \$5 million one-time Proposition 98 funds to establish professional learning networks to increase local educational agency capacity to access federal Medi-Cal funds, and \$250,000 for a lead county office of education to provide guidance for Medi-Cal billing within the statewide system of support.
- \$500,000 one-time Proposition 98 funds for a study to examine certification and oversight of non-public school special education placements.
- \$264.9 million one-time Proposition 98 funds to enable local educational agencies to expand existing networks of community schools and establish new community schools, and to coordinate a wide range of services to these schools, with priority given to schools in high-poverty communities.
- \$25 million ongoing Proposition 98 funds to fund innovative partnerships with county behavioral health to support student mental health services.
- \$10 million one-time Proposition 98 funds for a county office of education to i) make information available for school climate surveys to assess community needs stemming from COVID-19 and

distance learning; ii) provide grants to implement enhanced survey instruments and start-up costs in conducting annual school climate surveys; and iii) provide training on interpreting data and using responses to inform continuous improvement efforts.

- \$250 million one-time Proposition 98 funds to provide grants to local educational agencies that offer early access to TK and \$50 million one-time Proposition 98 funds to provide TK and kindergarten teachers with training in providing instruction in inclusive classrooms, support for English language learners, social-emotional learning, trauma-informed practices, restorative practices, and mitigating implicit biases.
- \$1.5 billion Proposition 51 bond funds to support school construction projects.
- COLA—An increase of \$85.7 million ongoing Proposition 98 funds to reflect a 1.5% COLA for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- County Offices of Education—An increase of \$10.2 million ongoing Proposition 98 funds to reflect a 1.5% COLA and ADA changes applicable to the LCFF.

***Future Actions.*** The State is currently and also has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the Districts. Further State actions taken to address its budgetary difficulties could have the effect of reducing the Districts support indirectly, and the Districts are unable to predict the nature, extent or effect of such reductions. See also “RISK FACTORS- COVID-19 Outbreak and its Economic Impact” for a discussion of COVID-19 and its impact on the State economy.

The Districts cannot predict the extent to which the State will encounter budgetary difficulties and what budget actions will be taken to resolve those difficulties in future fiscal years. The Districts also cannot predict the impact future State Budgets will have on school district finances and operations generally or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the Districts cannot control.

Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools. The COVID-19 pandemic has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, the pandemic could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See “RISK FACTORS – COVID-19 Outbreak and its Economic Impact” and “RISK FACTORS – Effect of COVID-19 Response on California School Districts” herein. The Districts also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 pandemic described above.

## **DISTRICTS’ INFORMATION**

The information regarding the Districts has been taken or constructed from the official records of the Districts. Such information has been reviewed by an authorized representative of each District acting

in his or her official capacity. Such representative has determined that as of the date hereof the information contained herein is, to the best of his or her knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact, or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

### **General Information Regarding Districts**

The Districts have each made the following representations with respect to its financial and operational facts:

- During the past 10 years, the District has not failed to deposit moneys in their repayment funds established for the payment of principal of and interest on tax and revenue anticipation notes issued by or on behalf of the District (if any);
- During the past 10 years, the District has not defaulted on a lease or debt obligation;
- There is no action, suit, proceeding or investigation pending or threatened which, if determined adversely to the District, could materially adversely impact the District's ability to repay its Note;
- No other conditions or events, including but not limited to labor disputes or hazardous materials, exist or have occurred which may materially adversely affect the finances of the District; and
- The District knows of no other information which should be disclosed in connection with the issuance of the Notes, in order to make the information in this Official Statement, in the light of the circumstances, in which it is presented not misleading.

### **Risk Management**

Each of the Districts is exposed to various risks associated with loss related to torts, damage and destruction of assets, errors and omissions, employee injuries, cyber intrusions and natural disasters. Each of the Districts addresses this risk through a combination of commercial insurance, self-insurance and participation in certain public entity risk pools, with coverage in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and workers' compensation, as are adequate, customary and comparable with such insurance maintained by similarly situated school districts.

### **Retirement Systems**

*The information set forth below regarding the Districts' retirement programs, other than the information provided by the Districts regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the Districts or the Underwriter.*

**STRS.** All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 17.10% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.328% of teacher payroll for fiscal year 2019-20. The State's contribution reflects a base

contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 (“AB 1469”) which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually as described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay, phased in over the three year period from 2014-15 through 2017-18. The State’s total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to A.B. 1469, school districts’ employer contribution rates will increase over a seven-year phase-in period in accordance with the following schedule:

**SCHOOL DISTRICT EMPLOYER CONTRIBUTION RATES  
State Teachers’ Retirement Fund**

<u>Effective Date (July 1)</u>	<u>School District Contribution Rate to STRS</u>
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10*
2020	16.15*+

\* The 2019-20 State Budget provided supplemental payments to STRS by the State which reduces the school district contribution rate under A.B. 1469.

+ Additional supplemental payments to STRS in the 2020-21 State Budget further reduced the school district contribution rate in fiscal year 2020-21.

Subsequent to the increases to school district’s contribution rates to STRS in the table above, A.B. 1469 requires that for 2021-22 and each fiscal year thereafter, STRS adjust the school districts’ contribution rate to reflect the rate required to eliminate the unfunded liability by July 1, 2046. The 2020-21 State Budget applies certain funds in fiscal year 2020-21 intended under the 2019-20 State Budget to reduce future obligations to STRS to the school districts’ current obligations to STRS to reduce the school district’s contribution rates to STRS in fiscal year 2020-21 from 18.41% to approximately 16.15% and in fiscal year 2021-2022 from 17.9% to 16.02%.

For information regarding each Districts’ recent contributions to STRS, see “APPENDIX B – DISTRICT GENERAL AND FINANCIAL INFORMATION” hereto. With the implementation of AB 1469, the Districts anticipate that contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The Districts, nonetheless, are unable to predict all factors or any changes in law that could affect their required contributions to STRS in future fiscal years.

**PERS.** Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 20.7% of eligible salary expenditures for fiscal year 2020-21, while participants enrolled in PERS (whether enrolled prior to or subsequent to January 1, 2013) contribute 7% of their respective salaries.

On April 19, 2017, the Board of Administration of PERS adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the Board of Administration in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years. As a result of payments to be made by the State as part of the 2019-20 State Budget, the estimated future employer contribution rates to PERS were again revised downward for fiscal years 2019-20 through 2025-26 but remain subject to annual adoption by the PERS Board of Administration. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA- State Assistance" herein.

On April 21, 2020, the Board of Administration of PERS set the fiscal year 2020-21 employer contribution rate at 22.68%. The contribution rate reflected an initial actuarially determined rate of 23.35% that had been reduced by 0.67% after reflecting part of the State contribution. The Board of Administration of PERS also approved a continuation of the current 7% employee contribution rate for fiscal year 2020-21 for school employees subject to the Public Employees' Pension Reform Act of 2013 described below. Subsequent to the Board of Administration of PERS' action, the 2020-21 State Budget provided supplemental payments to PERS which further reduces the employer contribution rate in fiscal year 2020-21 from 22.68% to 20.7% and in fiscal year 2021-22 from 24.6% to 22.84%. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA -State Assistance."

For information regarding each Districts' recent contributions to PERS, see "APPENDIX B – DISTRICT FINANCIAL INFORMATION" hereto.

**State Pension Trusts.** Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: [www.calstrs.com](http://www.calstrs.com); (ii) PERS: [www.calpers.ca.gov](http://www.calpers.ca.gov). However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2019.



**FUNDED STATUS**  
**STRS (DEFINED BENEFIT PROGRAM) and PERS**  
**Actuarial Valuation as of July 1, 2019**  
**(Dollar Amounts in Millions)<sup>(1)</sup>**

<u>Plan</u>	<u>Accrued Liability</u>	<u>Market Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS)	\$99,528	\$68,177	(\$31,351)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	310,719	225,466	(102,636)

<sup>(1)</sup> Amounts may not add due to rounding.

Source: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See “—California Public Employees’ Pension Reform Act of 2013” below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District’s required contributions to PERS will not increase in the future.

**California Public Employees’ Pension Reform Act of 2013.** On September 12, 2012, the Governor signed into law the California Public Employee’s Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

**GASB Statement Nos. 67 and 68.** On June 25, 2012, GASB approved Statements Nos. 67 and 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically

included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

***Effect of COVID-19 on Investments.*** School districts' retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The Districts cannot determine whether current financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the Districts' contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments in response to the outbreak of COVID-19. See also "RISK FACTORS – COVID 19 Outbreak and its Economic Impact" and "RISK FACTORS – Effect of COVID 19 Response on California School Districts" herein for information regarding the outbreak of COVID-19.

### **Post-Employment Benefits**

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which revised and established new accounting and financial reporting requirements for state and local governments, such as the Participants that offer other post-employment benefits ("OPEB") to employees. Pursuant to GASB 75, net OPEB liabilities are required to be recognized in the financial statements for such state and local governments. In addition, GASB 75 provides additional guidance with respect to recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 directs the use of "entry age normal" as the actuarial cost allocation method to be used and the various procedures, assumptions and discount rates to be used in connection with the calculation of liabilities. In connection therewith, states and local governments that do not pre-fund their respective OPEB obligations may report increased liabilities. GASB 75, among other things, requires additional note disclosures and the presentation of required supplementary information in financial statements

The financial statements for fiscal year 2017-18 and onward of each District have disclosed the Total OPEB Liability, Fiduciary Net Position (if any) and Net OPEB Liability, associated with their respective post-employment benefit obligations. See APPENDIX B hereto.

## Financial Information

Certain information regarding the Districts is included in the appendices hereto. Financial information for each District is included in APPENDIX B—“DISTRICT FINANCIAL INFORMATION.” Actual/projected cash flows for Fiscal Year 2020-21 and projected cash flows for fiscal year 2021-22 for each District are included in APPENDIX C—“DISTRICT CASH FLOWS.” APPENDIX B contains certain additional demographic and financial information for each of the Districts.

The most-recent audited financial statements of each of the Districts are available on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) website. The EMMA website is located <http://www.emma.msrb.org>. Any information presented on such website, however, is not incorporated herein by any reference. See also “CONTINUING DISCLOSURE.”

## State Law Budgeting and Reporting Requirements

***Budgeting Requirements.*** The Districts are required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget’s ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent’s recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent’s recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent’s recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No

later than October 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

***Interim Financial Reports.*** Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years. For fiscal year 2020-21, each of the Districts filed with the Contra Costa County Office of Education, a first interim financial report with a "qualified" certification within the meaning of Section 42131 of the Education Code of the State (the "Education Code").

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

### **Article XIII A of the California Constitution**

On June 6, 1978, the California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIII A 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 have occurred after the 1975 assessment." Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation. Article XIII A has subsequently been amended to print reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (i) on any indebtedness approved by the

voters prior to July 1, 1978, or (ii) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (iii) bonded indebtedness incurred by a school district or school district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast of the proposition, but only if certain accountability measurers are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

***Property Tax Base Transfer Constitutional Amendment.*** On November 3, 2020, voters in the State approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment. Proposition 19 (i) expands special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrows existing special rules for inherited properties; and (iii) broadens the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

### **Legislation Implementing Article XIII A**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, Districts are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a District continues as part of its allocation in future years.

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

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

### **Unitary Property**

Some amount of property tax revenue of the Districts is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary

property”). Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the Districts) according to statutory formulae generally based on the distribution of taxes in the prior year. For each District that remains a basic aid district, taxes lost through any reduction in assessed valuation will be not compensated by the State as equalization aid under the State’s school financing formula. See “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA—Major Revenues” herein.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The Districts are unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the Districts. Because none of the Districts are a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA—Major Revenues” herein.

### **Article XIII B of the California Constitution**

Article XIII B of the State Constitution (“Article XIII B”), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

(a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after December 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “Propositions 98 and 111” below.

### **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of Districts, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any District from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The Districts do not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. They do, however, receive a portion of the basic one percent *ad valorem* property tax levied and collected by counties pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the Districts, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the Districts thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the Districts.

### **Proposition 98**

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and school districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to

such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one year period. The current level of guaranteed funding pursuant to Proposition 98 is 34.55% of the State general fund.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

### **Proposition 111**

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIII B spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

The most significant provisions of Proposition 111 are summarized as follows:

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two new exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the Legislature, and (ii) any increases



in gasoline taxes above the current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, was to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. A complex adjustment was made to the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) a certain percentage of State general fund revenues (the “Test 1”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “Test 2”). Under Proposition 111, schools will receive the greater of (1) the Test 1, (2) the Test 2, or (3) a third test (“Test 3”), which will replace the Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the Test 3 is used in any year, the difference between the Test 3 and the Test 2 will become a “credit” to schools (also referred to as a “maintenance factor”), which will be paid in future years when State general fund revenue growth exceeds personal income growth.

## **Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 6, 2012, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State’s authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State’s authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to

reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

### ***Jarvis v. Connell***

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the Districts as being received from the State. To the extent the holding in such case would apply to State payments reflected in the Districts' budgets, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the Districts if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

### **Proposition 30**

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the temporary tax increases were included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 98" and "—Proposition 111" herein. From an accounting perspective, the revenues generated

from the temporary tax increases were deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA were and will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

### **Proposition 55**

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative (“Proposition 55”) which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales and use tax increases imposed under Proposition 30 which expired at the end of 2016.

### **Proposition 2**

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “Proposition 2”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an

emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

**SB 858.** Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the State Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the State Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The Districts, which each have an ADA of less than 400,000, are required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

**SB 751.** Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 22, 26, 30, 98, 30 and 55 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 revenues of the Districts or the Districts' ability to expend revenues. The nature and impact of these measures cannot be anticipated by the Districts.

## **TAX MATTERS**

The delivery of the Note Participations is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Note Participations for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Note Participations (the "Code"), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Note Participations is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Note Participations is exempt from personal income taxes of the State of California. The form of Bond Counsel's anticipated opinion respecting the Note Participations is included in APPENDIX F. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Note Participations. Prospective purchasers of the Note Participations should be aware that the ownership of tax-exempt obligations such as the Note Participations may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service ("IRS" or the "Service") or the State with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Note Participations is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the Owners of the Note Participations would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Note Participations, the District may have different or conflicting interests from the owners of the respective Note Participations. Public awareness of any future audit of the Note Participations could adversely affect the value and liquidity of the Note Participations during the pendency of the audit, regardless of its ultimate outcome.

### ***Tax Accounting Treatment of Discount and Premium on Certain of the Note Participations***

The initial public offering price of certain of the Note Participations (the “Discount Bonds”) may be less than the amount payable on such Note Participations at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Note Participations of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Note Participations. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder’s basis in the Discount Bond, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under “TAX MATTERS.” Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Note Participations (the “Premium Bonds”), may be greater than the amount payable on such Note Participations at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Note Participations of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium

Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

***Form of Bond Counsel Opinion.*** The form of the proposed opinion of Bond Counsel relating to the Note Participations is attached to this Official Statement as APPENDIX F.

## LITIGATION

There is no action, suit or proceeding known to be pending or threatened against any of the Districts, restraining or enjoining the execution or delivery of the Note Participations, the Trust Agreement or the Notes or in any way contesting or affecting the validity of the foregoing or, any action of the Districts taken with respect to any of the foregoing.

There is no litigation pending or, to the knowledge of the respective Districts, threatened, questioning the existence of the Districts, or the title of the officers of the respective Districts to their respective offices, or the power and authority of the Districts to issue and deliver the Notes or the Trustee to execute and deliver the related Note Participations.

## RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned the rating of "SP-2" to the Note Participations and to each of the Notes. The Districts supplied certain information to S&P's to be considered in evaluating the Note Participations and the Notes. The ratings reflect only the view of S&P, and any explanation of the significance of such ratings should be obtained from S&P. There is no assurance that any ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Note Participations.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the Districts which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

Each of the Districts has covenanted to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any ratings changes on its Notes or the Note Participations. See "CONTINUING DISCLOSURE – Material Events Undertaking" herein. Notwithstanding such covenant, information relating to ratings changes on the Notes and the Note Participations may be publicly available from S&P prior to such information being provided to the Districts and prior to the date the Districts are obligated to file a notice of rating change on EMMA. Purchasers of the Note Participations are directed to S&P, its website and official media outlets for the most current ratings changes with respect to the Note Participations after the initial execution and delivery thereof.

## UNDERWRITING

UBS Financial Services, Inc. (the "Underwriter") has contracted to purchase the Note Participations pursuant to a Note Participation Purchase Agreement (the "Purchase Agreement") by and among the Underwriter and the Districts. The Underwriter has agreed to purchase the Note Participations at a price of \$\_\_\_\_\_ (representing the principal amount of the Note Participations of \$\_\_\_\_\_, plus original issue premium of \$\_\_\_\_\_, less the Underwriter's discount of \$\_\_\_\_\_).

The Underwriter may offer and sell Note Participations to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

UBS Financial Services Inc. (“UBS FSI”) has entered into a distribution and service agreement with its affiliate UBS Securities LLC (“UBS Securities”) for the distribution of certain municipal securities offerings. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

## CONTINUING DISCLOSURE

### Material Events Undertaking

Pursuant to the Trust Agreement, the Districts have agreed to give, or cause to be given, to the Municipal Securities Rulemaking Board (the “Repository”), in a timely manner, but in no event more than 10 Business Days after the occurrence thereof, notice of certain “Listed Events” with respect to such District’s Note and the Note Participations as set forth in the Trust Agreement. The Districts have also agreed to give, or cause to be given, to the Repository, in a timely manner, but in no event more than 10 Business Days after the occurrence thereof, notice of certain Listed Events, if deemed material, pursuant to the terms of the Trust Agreement.

These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”). The undertakings regarding material event disclosure set forth in the Trust Agreement may be amended, and any provision thereof may be waived, by written agreement of the parties thereto, without the consent of the Owners of the Note Participations (except to the extent required under clause (3)(ii) below), if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Participants or the type of business conducted thereby; (2) the undertakings therein as so amended or waived would, in the opinion of nationally recognized Bond Counsel with expertise in federal securities laws, addressed to the Districts and the Trustee, have complied with the requirements of the Rule at the time of the primary offering of the Note Participations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the proposed amendment or waiver either (i) is approved by the Owners in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of the Owners, or (ii) does not, in the opinion of the nationally recognized Bond Counsel or counsel with expertise in federal securities laws, addressed to the Participants and the Trustee, materially impair the interests of the owners of Note Participations; and (4) the Participants shall have delivered copies of such opinions and amendment to each Repository.

The Districts’ obligations under the Trust Agreement shall terminate upon the defeasance or payment in full of all of the Notes and the Note Participations. The undertakings in the Trust Agreement relating to continuing disclosure shall inure solely to the benefit of the Districts, the Trustee, the Dissemination Agent, the Underwriter and the Owners and Beneficial Owners, from time to time of the Note Participations, and shall create no rights in any other person or entity.

See also APPENDIX D—“DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE TRUST AGREEMENT”.



**Prior Continuing Disclosure Obligations**

Except as otherwise described below, each of the Districts has not failed within the past five years to comply in a material respect with prior continuing disclosure undertakings pursuant to the Rule:

Mt. Diablo Unified School District filed late the annual report for fiscal year 2014-15 for its General Obligation Bonds, 2010 Election, 2010 Series A and General Obligation Bonds, 2010 Election, 2010 Series B and failed to timely file notice of an S&P rating change that occurred in December of 2017.

While all of the required information was filed, Pittsburg Unified School District failed to timely associate filings for fiscal years 2014-15 and 2015-16 with the CUSIPs for its Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds and its Certificates of Participation (2010 Financing Project). Pittsburg Unified School District also failed to associate filings for fiscal year 2018-19 with the CUSIPs for its Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds.

**CERTAIN LEGAL MATTERS**

At the time of the delivery of the Note Participations, Dannis Woliver Kelley, Long Beach, California, Bond Counsel, will deliver its final approving opinion in the form set forth in APPENDIX E. A copy of such approving opinion will be available for delivery with the Note Participations. Certain matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, and for the Trustee by its counsel.

**AUTHORIZATION AND APPROVAL**

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

This Official Statement, and its distribution and use by the Underwriter, have been duly authorized and approved by the Districts.

MT. DIABLO UNIFIED SCHOOL DISTRICT

PITTSBURG UNIFIED SCHOOL DISTRICT

By \_\_\_\_\_  
Superintendent

By \_\_\_\_\_  
Superintendent

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**APPENDIX A**

**NOTE AMOUNT BY DISTRICT AND COVERAGE ANALYSIS**

*This Appendix contains tables listing the participating Districts, the principal amount of the Note being issued by each such District, interest, the principal amount of the Note of such District as a percentage of the principal amount of the Note Participations, and projected note payment coverage for each District. Further, investors should note that amounts shown as alternative cash resources for a District will not necessarily be available for the payment of the Note of such District.*

District	Note Amount*	Interest*	Note Amount as % of Note Participations*	Maturity Date*	Projected Note Payment Coverage at Maturity	Projected Note Payment Coverage at Maturity (including 85% of alternate sources of liquidity)
Mt. Diablo Unified School District	\$41,500,000	\$259,423	59.29%	12/01/2021	0.57	1.21
Pittsburg Unified School District	28,500,000	170,343	40.71	12/01/2021	1.01	1.53

\* Preliminary; subject to change.

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## **APPENDIX B**

### **DISTRICT DEMOGRAPHIC AND FINANCIAL INFORMATION**

*Unless otherwise indicated, the following information has been provided by the Districts concerning their operations. Additional information concerning the Districts and copies of their most recent (as well as subsequent) audited financial statements may be obtained by contacting a District at the address set forth for such District in this Appendix B. Capitalized terms used herein but not otherwise defined shall have the respective meanings set forth in the forepart of this Official Statement.*

*The economic and demographic data contained in this Appendix are the latest available, but may be as of dates and for periods before the economic impact of the COVID-19 pandemic and the measures instituted to slow it. Accordingly, the information may not necessarily be indicative of the current financial condition or future economic prospects of the Districts.*

**Mt. Diablo Unified School District**  
1936 Carlotta Drive  
Concord, California 94519  
Attention: Chief Business Officer

**Introduction**

The Mt. Diablo Unified School District (the “District”) was established as a school district in 1949 and is located in the northwestern portion of the County. The District covers approximately 150 square miles including the cities of Concord, Pleasant Hill and Clayton, portions of the cities of Walnut Creek, Pittsburg and Martinez, and unincorporated areas of the County, including Pacheco and Bay Point. The District provides kindergarten through twelfth grade education services in thirty-one elementary schools, nine middle schools, five high schools and six alternative schools and programs, including adult education.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting the District at the address above. The District may charge a small fee for copying, mailing and handling.

**Administration**

The District is governed by a Board of Education (the “Board”) consisting of five members who are elected to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

**Mt. Diablo Unified School District  
Board of Education**

Name	At-Large/ Trustee Area	Office	Term Expires December
Cherise Khaund	At-Large	President	2022
Debra Mason	At-Large	Clerk	2022
Erin McFerrin	Trustee Area 5	Member	2024
Linda Mayo	At-Large	Member	2022
Keisha Nzewi	Trustee Area 3	Member	2024

Source: *The District*.

On May 13, 2019 the Board adopted a resolution indicating its intent to transition from at-large to by-trustee area elections, pursuant to the Elections Code. The Board held a series of public hearings at which members of the public were able to provide input on the trustee area boundaries and on draft trustee area map scenarios. The Board adopted a proposed map which the Contra Costa County Committee on School District Organization approved on November 13, 2019. The Board transitioned to by-trustee area elections beginning with the November 2020 election. The current Board members will continue in office until the expiration of their terms in 2022 or 2024.

The following is a listing of the key administrative personnel of the District and brief biographies of certain District administrators follow.

Name	Title
Adam Clark, Ed.D.	Superintendent
Lisa Gonzales, Ed.D.	Chief Business Officer

**Adam Clark, Ed.D. – Superintendent.** Dr. Clark has served as the Superintendent of the District since July 2020. With over 20 years in education, Dr. Clark began his career as an elementary teacher in the West Contra Costa Unified School District. He transitioned to administrative roles first in Contra Costa County, serving as a middle school vice principal, elementary school principal, middle school principal, and high school principal. Once he transitioned into district office roles, he served as the Assistant Superintendent of Administrative Student Services in the Liberty Union High School District and as the Associate Superintendent of Educational Services in the Antioch Unified School District. Prior to the District, Dr. Clark served as superintendent for three years in the Vallejo Unified School District. Dr. Clark holds a Bachelor of Arts degree from San Jose State University, and a Master of Arts in Education Administration and a Doctorate in Educational Leadership, both from St. Mary’s College of California.

**Dr. Lisa Gonzales, Ed.D. – Chief Business Officer.** Dr. Gonzales has served as the Chief Business Officer of the District since December 2019. Prior to the District, Dr. Gonzales served as Assistant Superintendent of Educational Services in Dublin Unified, Superintendent of Lakeside Joint Unified School District and Portola Valley School District, and was President of the Association of California School Administrators. She was selected by former President Obama and former Secretary of Education Arne Duncan as one of 100 Superintendents in the nation as a Future Ready Superintendent and was part of the Every Student Succeeding Act lobbying team in Washington, D.C. Dr. Gonzales holds a Bachelor of Science in Business, a Bachelor of Arts in Radio, TV, Film Production, a Master of Arts in Educational Leadership, a Doctorate in Organizational Leadership, and is a graduate of Stanford University’s Executive Program for Education Leadership and the University of Southern California’s School Business Management Program. She is certified by California Association of School Business Officials as a Chief Business Officer and Director of Fiscal Services.

## Employees and Labor Relations

The District employs approximately 1,753 full-time equivalent certificated academic professionals as well as approximately 1,104 full-time equivalent classified employees. The table below sets forth the District's bargaining units, covered employees and bargaining unit contract expiration dates.

### Mt. Diablo Unified School District Bargaining Units Fiscal Year 2020-21

Bargaining Unit	Employees Covered	Contract Expiration Date
Mt. Diablo Education Association/California Teachers Association/National Education Association	Certificated: non-psychologist	June 30, 2018 <sup>(1)</sup>
Mt. Diablo School Psychologist Association	Certificated: psychologists	June 30, 2019 <sup>(1)</sup>
Teamsters Local Union 856	Classified: maintenance, operations, transportation	June 30, 2018 <sup>(1)</sup>
Public Employees Union, Local One/AFSCME	Classified: clerical, secretarial, technical	June 30, 2018 <sup>(1)</sup>
California School Employees Association Chapter 43.	Classified: instructional aide and campus supervisor	June 30, 2019 <sup>(1)</sup>

<sup>(1)</sup> The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.  
Source: *The District*.

## District Retirement Systems

The following table shows the District's contributions to STRS and PERS for the past five fiscal years, as well as a projection for fiscal year 2020-21.

### STRS AND PERS CONTRIBUTIONS Fiscal Years 2015-16 through 2020-21 Mt. Diablo Unified School District

Fiscal Year	STRS	PERS
2015-16	\$14,708,705	\$5,634,285
2016-17	19,673,538	7,324,363
2017-18	23,182,949	8,738,265
2018-19	25,474,844	10,119,534
2019-20 <sup>(1)</sup>	44,755,090	9,638,161
2020-21 <sup>(2)</sup>	40,436,236	11,246,079

<sup>(1)</sup> From the District's 2019-20 Unaudited actual financial results.

<sup>(2)</sup> From the District's 2020-21 Budget.

Source: *The District*.



The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2019, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
STRS	\$277,385,000
PERS	<u>113,742,000</u>
Total	<u>\$391,127,000</u>

Source: *The District*.

### Other Post-Employment Benefits

The District administers a defined other post-employment benefit plan that provides medical, dental and vision insurance benefits ("Health & Welfare Benefits"). The District's funding policy is based on the projected pay-as-you-go financing requirements. Employees who are eligible to receive Health & Welfare Benefits while in retirement must meet specific criteria, *i.e.*, age and years with the District. On June 30, 2019, 1,289 inactive employees were receiving Health & Welfare Benefits with 3,213 active employees earning service credit towards eligibility.

The District makes contributions based on an actuarially determined rate as approved by the Board. Total contributions for Health & Welfare Benefits during fiscal year 2018-19 were \$6,582,820. Employees are not required to contribute to the plan.

The following table shows the changes in the District's net Health and Welfare Benefits as of June 30, 2019.

### Total OPEB Plan Fiduciary Liability Fiscal Year Ended June 30, 2019

Service Cost	\$11,840,329
Interest	6,094,019
Differences between actual and expected experience	7,133,647
Changes of assumptions	4,779,925
Benefit payments	(6,582,820)
Net Change in Total OPEB Liability	23,265,100
Total OPEB Liability - beginning	<u>165,565,903</u>
Total OPEB Liability - ending	<u>188,831,003</u>
 Covered payroll	 209,530,000
 District's total OPEB liability as a percentage of covered payroll	  90.12%

Source: *The District*.

## Alternate Sources of Liquidity

The District has moneys in certain accounts which are designated for certain uses but which can be used on a temporary basis for its other obligations, including its Note.

Name of Fund	Balance June 30, 2020	Projected Balance June 30, 2021
Adult Education Fund	\$1,979,254	\$1,649,834
Cafeteria Special Revenue Fund	4,440,187	4,348,639
Capital Facilities Fund	12,949,213	13,524,547
Charter School Special Revenue	1,128,145	779,005
County Schools Facilities Fund	3,484,285	3,456,139
Capital Projects for Blended Units	1,713,805	1,338,568
Debt Service for Blended Units	6,673,496	6,673,450
Foundation Private Purpose Trust	<u>58,993</u>	<u>59,316</u>
Total	\$32,427,3781	\$31,829,498

Source: *The District.*

Prospective purchasers of the Note Participations should be aware that such funds have restricted uses but can be used as alternative sources of liquidity for the payment of District obligations; no representation is made by the District that such funds would in fact be made available for the payment of its Note in the absence of other revenues.

## Financial Reports

The general fund is the major fund classification of the District. The following is a summary of the District's audited revenues, expenditures and changes in general fund balance for fiscal years 2016-17, 2017-18 and 2018-19 and its unaudited actual revenues, expenditures and changes in general fund balance for fiscal year 2019-20.

### Mt. Diablo Unified School District General Fund Changes in Revenue, Expenses and Fund Balance

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Unaudited Actuals 2019-20
BEGINNING FUND BALANCE	\$ 95,812,705	\$ 88,789,294	\$ 57,530,974	\$ 49,490,107
Total Revenues	355,337,999	345,73,242	379,334,190	364,229,235
Total Expenditures	362,277,908	377,619,356	387,781,795	364,742,721
Other Financing Sources (Uses)	<u>(83,502)</u>	<u>624,794</u>	<u>406,738</u>	<u>(860,764)</u>
ENDING FUND BALANCE	\$ 88,789,294	\$ 57,530,974	\$ 49,490,107	\$ 48,115,857

Source: *The District.*

The District expects to complete and make public its audited financial statements for fiscal year 2019-20 on or about February 4<sup>th</sup> and to present them to the Board for approval at the February 10<sup>th</sup> Board meeting. The District does not expect the audited financial statements for fiscal year 2019-20 to differ materially from the unaudited financial statements for fiscal year 2019-20.

The following table is a summary of the District’s general fund balance sheet for fiscal years 2016-17, 2017-18, and 2018-19.

**Mt. Diablo Unified School District  
General Fund Balance Sheet**

	Audited 2016-17	Audited 2017-18	Audited 2018-19
Total Assets	\$ 106,875,715	\$ 77,380,804	\$ 66,517,361
Total Liabilities	18,086,421	19,849,830	17,027,254
Fund Balance			
Nonspendable	687,759	712,618	732,700
Restricted	18,449,562	19,048,202	19,401,653
Committed	--	--	--
Assigned	54,339,638	30,230,263	17,734,502
Unassigned	15,312,335	7,59,891	11,621,252
Total Fund Balance	<u>88,789,294</u>	<u>57,530,974</u>	<u>49,490,107</u>
Total Liabilities and Fund Balance	\$ 106,875,715	\$ 77,380,804	\$ 66,517,361

Source: *The District*.

**Budgeting**

Within the last five years, the District filed each of its interim reports with a positive certification except for the second interim report for fiscal year 2019-20 and the first interim report for fiscal year 2020-21, which the District filed with a qualified certification within the meaning of section 42131 of the Code. The qualified certifications were due in large part to declining enrollment, increasing retirement contributions, as well as contracted step and column salary increases as compared to COLAs that did not cover actual cost of living increases. Such factors led to a structural imbalance in the District’s fiscal year 2019-20 budget which has carried over to fiscal year 2020-21 and the District’s multi-year projections for fiscal years 2021-22 and 2022-23.

To address the imbalance in the fiscal year 2019-20 budget, the District implemented approximately \$3.55 million in ongoing reductions including elimination of the TK-8 summer school program, reductions in programs and vacant classified and certificated positions, and reductions in outside contracts and stipends. During fiscal year 2019-20, the District implemented an additional \$19.1 million in budget reductions including reductions in contracts, consultants, resource officers, 18.9 FTE administrators, 87.8 certificated FTE and 60.4 classified FTE employees.

Despite the reductions, anticipated on-going declining enrollment exacerbated by COVID-19, lack of a funded COLA and additional increases in retirement contributions and salaries continue to require deficit spending in fiscal years 2019-20 through 2021-22. The District intends to identify additional reductions in staffing in order to reduce deficit spending and the current budgetary structural imbalance.

Pursuant to Education Code 42133, because the District filed qualified certifications in fiscal year 2019-20 and Fiscal Year 2020-21, the District may only issue its Note if the Contra Costa County Superintendent of Schools determines, pursuant to criteria established by the Superintendent of Public Instruction, that the District’s repayment of the Note is probable.

The table below sets forth the District's adopted budgets for fiscal years 2019-20 and 2020-21.

**Mt. Diablo Unified School District  
General Fund Adopted Budget**

	2019-20 Budget	2020-21 Budget
BEGINNING FUND BALANCE	\$ 26,131,348	\$ 38,212,340
Total Revenues	355,266,507	342,236,501
Total Expenditures	362,630,766	352,862,204
Other Financing Sources (Uses)	--	--
ENDING FUND BALANCE	\$ 18,767,089	\$ 27,586,638

Source: *The District.*

**Covid-19 Relief Funds**

The District received \$509,745 under SB 117 which the District used to maintain nutritional services, clean and disinfect facilities, and provide personal protective equipment and materials needed to facilitate distance learning. The District also expects to receive approximately \$23,383,146 in Elementary and Secondary School Emergency Relief funding, \$17,828,439 in Learning Loss Mitigation funds and approximately \$1,958,268 in Governor's Emergency Education Relief funding.

**District Debt Structure**

**Long-Term Debt.** A schedule of the District's changes in long-term debt for the year ended June 30, 2019 is shown below:

**Mt. Diablo Unified School District  
Long-Term Debt**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds	\$450,577,203	\$20,000,000	\$19,980,203	\$450,597,000	\$20,7441,782
Accreted Interest	27,524,777	4,804,015	284,797	32,043,995	48,218
Unamortized Premiums	28,905,933	2,509,601	2,592,176	28,823,358	2,899,317
Construction Loan	4,148,544	--	226,563	3,921,981	--
Certificates of participation	--	20,000,000	--	20,000,000	1,565,000
Capitalized leases	1,065,000	--	445,128	620,803	468,442
Total OPEB liability	165,565,903	23,265,100	--	188,831,003	--
Net pension	371,615,000	19,512,000	--	391,127,000	--
Compensated absences	3,633,048	387,157	--	4,020,205	--
Total	\$1,053,036,339	\$90,477,873	\$23,528,867	\$1,119,985,345	\$25,722,759

Source: *The District.*

## **General Obligation Bonds**

The District received authorization to issue \$250,000,000 of general obligation bonds at an election held on March 5, 2002 (the “2002 Authorization”). To refund portions of the general obligation bonds issued under the 2002 Authorization, the District issued its \$37,790,000 General Obligation Refunding Bonds, Series 2011 on June 11, 2011; \$43,700,000 General Obligation Refunding Bonds, Election of 2002, Series B on December 29, 2011; \$40,540,000 Series B-2 Refunding Bonds on April 5, 2012; and \$54,015,000 General Obligation Refunding Bonds, Election of 2002, Series C on April 10, 2013. No general obligation bonds remain for issuance under the 2002 Authorization.

The District received authorization to issue \$348,000,000 of general obligation bonds at an election held June 8, 2010 (the “2010 Authorization”). The District has issued seven series of bonds under the 2010 Authorization. No general obligation bonds remain for issuance under the 2010 Authorization.

The District received authorization to issue \$150,000,000 of general obligation bonds at an election held on November 6, 2018 (the “2018 Authorization”). In 2019, the District issued its \$20,000,000 General Obligation Bonds, 2018 Election, Series A. \$130,000,000 principal amount of general obligation bonds remains for issuance under the 2018 Authorization.

### ***Certificates of Participation***

On October 10, 2018, the District executed and delivered the \$20,000,000 2018 Certificates of Participation (the “2018 Certificates”) to finance the improvement of certain District facilities. The 2018 Certificates bear interest at a rate of 5.00% per annum and mature through September 1, 2026.

### ***Construction Loan***

In February 2003, the Redevelopment Agency of the City of Pittsburg made an interest-free loan of \$6,178,936 to the District. Proceeds of the loan were applied to the construction of an elementary school within the City of Pittsburg. In repayment of the loan, the District agreed to pay 24% of all of its impact fees collected within the City of Pittsburg after January 1, 2005 to the City of Pittsburg through June 1, 2040, or until the loan is paid off, whichever occurs first. The balance at June 30, 2019 was \$3,921,981.

### ***Capital Leases***

The District leases school buses under long-term lease purchase agreements. The payment for fiscal year ending June 30, 2021 is \$308,436, after which, the capital leases will have been paid off.

### ***Short-Term Debt***

Other than the District’s Note described herein, the District has no short term debt outstanding.

## Assessed Valuations

Shown in the following table are the assessed valuations for the District from fiscal year 2016-17 to fiscal year 2020-21.

### ASSESSED VALUATIONS Fiscal Years 2016-17 through 2020-21 Mt. Diablo Unified School District

Fiscal Year	Secured	Utility	Unsecured	Total
2016-17	\$36,236,051,218	\$1,407,638	\$994,773,478	\$37,232,232,334
2017-18	38,234,525,030	1,397,638	1,108,253,137	39,344,175,805
2018-19	40,625,429,907	7,000,667	1,266,540,483	41,898,971,057
2019-20	42,860,000,266	6,885,667	1,318,638,471	44,185,524,404
2020-21	44,840,172,454	6,875,667	1,385,131,127	46,232,179,248

Source: *California Municipal Statistics, Inc.*

## Cybersecurity

The District collects, processes, and distributes private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. The District maintains cybersecurity insurance in the event of an attack. The District has never been the target of a cybersecurity attack.

**Pittsburg Unified School District**  
 2000 Railroad Avenue  
 Pittsburg, California 94565  
 Attention: Associate Superintendent of Business Services

**Introduction**

The Pittsburg Unified School District (the “District”) was established in 1933 and provides public education in kindergarten through grade 12 to the residents of the City of Pittsburg (the “City”) in the County. The District operates eight elementary schools, three middle schools, one high school and one continuing education high school. The District additionally provides Adult Education, Independent Study and Preschool Services.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting the District at the address above.

**Administration**

The District is governed by a Board of Trustees (the “Board”). The Board consists of five members who are elected at-large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

**PITTSBURG UNIFIED SCHOOL DISTRICT  
 Board of Trustees**

Name	Office	Term Expires December
Duane Smith	President	2022
De’Shawn Woolridge	Vice President	2022
Joe Arenivar	Member	2022
George Miller	Member	2024
Taylor Sims	Member	2024

*Source: The District.*

The following is a listing of the key administrative personnel of the District and brief biographies of certain District administrators follow.

Name	Title
Dr. Janet Schulze, Ed.D.	Superintendent
Hitesh Haria	Associate Superintendent of Business Services
Anthony Molina, M.Ed	Assistant Superintendent of Educational Services
Evelyn Tamondong-Bradley	Assistant Superintendent Human Resources
Eileen Chen, M.Ed.	Executive Director of Educational Services

***Janet Schulze, Ed.D. – Superintendent.*** Dr. Schulze has served as the Superintendent of the District since July 2014. Prior to the District, she served as the Assistant Superintendent of High Schools for San Francisco Unified School District (“SFUSD”). She was a high school principal in SFUSD, an assistant principal in El Paso, Texas, and she began her career as a seventh grade English and reading teacher in El Paso. Dr. Schulze received her B.S. in Secondary Education and English from the University of Wisconsin, Madison, and her Masters in Educational Leadership from the University of Texas, El Paso. She received a Master’s Degree of Education and a Doctor of Education from the Harvard Graduate School of Education, where she was also in the Urban Superintendents Program.

***Hitesh Haria – Associate Superintendent of Business Services.*** Mr. Haria has served as the Associate Superintendent of Business Services of the District since 2019. He has led operations in the K-12 education sector for over sixteen years. Prior to the District, Mr. Haria served as a Deputy Superintendent of Business Operations, Chief of Business Operations, and Chief Business Officer in several districts throughout the country as well as with Oakland Unified School District and Vallejo City Unified School District. Mr. Haria earned a Bachelor degree in Accounting Science from the University of South Africa. He has also studied Managing for Execution, High Performance Leadership, and Change Leadership at Cornell University. Mr. Haria has completed a School Business Management Certificate Program at the University of Southern California. His Professional affiliations include the Association of California School Administrators (ACSA) and California Association of School Business Officials (CASBO).

## **Employees and Labor Relations**

The District employs approximately 675 full-time equivalent certificated academic professionals as well as approximately 437 full-time equivalent classified employees.

The certificated employees of the District have assigned the Pittsburg Education Association (“PEA”) as their exclusive bargaining agent. The contract among the District and the PEA expired on June 30, 2020. On April 6, 2020, the District entered into a Memorandum of Understanding (“MOU”) with the PEA regarding COVID-19 related issues. On August 6, 2020, the District entered into an MOU with the PEA regarding the distance learning and the reopening of schools for the 2020-21 school year. The parties are operating under the terms of the expired contract and the MOU while negotiations are underway for a new contract.

The classified employees of the District have assigned the California School Employees Association Pittsburg Chapter 44 (“CSEA”) as their exclusive bargaining agent. The contract among the District and CSEA expired on June 30, 2020. On April 9, 2020, the District entered into an MOU with CSEA regarding the COVID-19 response. The District ratified a tentative agreement with CSEA for a successor agreement through fiscal year 2022-23 on January 13, 2021.



## District Retirement Systems

The following table shows the District's contributions to STRS and PERS for the past five fiscal years, as well as a projection for fiscal year 2020-21.

### STRS AND PERS CONTRIBUTIONS Fiscal Years 2015-16 through 2020-21 Pittsburg Unified School District

Fiscal Year	STRS	PERS
2015-16	\$5,195,606	\$2,148,122
2016-17	6,566,851	2,729,240
2017-18	7,659,682	3,284,789
2018-19	9,361,107	4,115,286
2019-20	10,073,320	4,663,472
2020-21	9,405,379	4,802,628

The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2019, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
STRS	\$91,210,531
PERS	<u>42,122,315</u>
Total	\$133,332,846

Source: *The District.*

## Other Post-Employment Benefits

The District administers a single-employer defined other post-employment benefit plan that provides medical, dental and vision insurance benefits ("Health & Welfare Benefits"). Employees who are eligible to receive Health & Welfare Benefits while in retirement must meet specific criteria, *i.e.*, age and years with the District. The District has established an irrevocable trust, the Futuris Public Entity Investment Trust for Health & Welfare Benefits. On July 1, 2019, 222 inactive employees were receiving Health & Welfare Benefits with 1,000 active employees earning service credit towards eligibility.

The District makes contributions based on an actuarially determined rate as approved by the Board. Total contributions for Health & Welfare Benefits during fiscal year 2018-19 were \$1,048,443. The following table shows the changes in the District's net Health and Welfare Benefits as of June 30, 2019.

**Changes in Net OPEB Liability  
Fiscal Year Ended June 30, 2019**

<b>Total OPEB Liability</b>	
Service Cost	\$2,530,473
Interest	1,417,522
Difference between expected and actual experience	(2,722,785)
Changes of assumptions	7,141,820
Benefit payments	<u>(1,048,443)</u>
Net Change in Total OPEB Liability	7,318,587
Total OPEB Liability - beginning	<u>35,244,295</u>
Total OPEB Liability - ending	<u>\$42,562,882</u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$1,048,443
Net investment income	91,243
Benefit payments	(1,048,443)
Administrative expenses	(21,912)
Net change in plan fiduciary net position	69,331
Plan fiduciary net position – beginning	1,869,848
Plan fiduciary net position – ending	1,939,179
 District's net OPEB liability	 \$40,623,703
 Plan fiduciary net position as a percentage of covered payroll	 4.6%
 Covered payroll	 \$85,750,850
 District's net OPEB liability as a percentage of covered payroll	 47.37%

Source: *The District*.

## Sources of Alternate Liquidity

The District has moneys in certain accounts which are designated for certain uses but which can be used on a temporary basis for its other obligations, including its Note.

Name of Fund	Balance June 30, 2020	Projected Balance June 30, 2021
Adult Education Fund	\$1,511,709	\$778,158
Child Development Fund	310,186	310,080
Cafeteria Special Revenue Fund	236,151	0
Capital Facilities Fund	17,959,284	14,461,098
Deferred Maintenance Fund	189,670	0
Retiree Benefit Fund	1,996,039	1,996,039
Foundation Private-Purpose Trust	<u>116,058</u>	<u>118,112</u>
Total	\$22,319,097	\$17,663,487

Source: *The District.*

Prospective purchasers of the Note Participations should be aware that such funds have restricted uses but can be used as alternative sources of liquidity for the payment of District obligations; no representation is made by the District that such funds would in fact be made available for the payment of its Note in the absence of other revenues.

## Financial Reports

The general fund is the major fund classification of the District. The following is a summary of the District's audited revenues, expenditures and changes in general fund balance for fiscal years 2016-17, 2017-18 and 2018-19 and its unaudited actual revenues, expenditures and changes in general fund balance for fiscal year 2019-20.

### Pittsburg Unified School District General Fund Changes in Revenue, Expenses and Fund Balance

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Unaudited Actuals 2019-20
BEGINNING FUND BALANCE	\$ 20,686,751	\$ 23,053,208	\$ 20,979,656	\$ 20,101,289
Total Revenues	130,053,758	135,776,179	150,606,065	145,514,085
Total Expenditures	127,687,301	137,753,520	151,129,210	148,750,765
Other Financing Sources (Uses)	<u>--</u>	<u>(96,211)</u>	<u>(355,221)</u>	<u>(411,570)</u>
ENDING FUND BALANCE	\$ 23,053,208	\$20,979,656	\$ 20,101,290	\$ 16,457,278

Source: *The District.*

The following table is a summary of the District’s general fund balance sheet for fiscal years 2016-17, 2017-18, and 2018-19.

**Pittsburg Unified School District  
General Fund Balance Sheet**

	Audited 2016-17	Audited 2017-18	Audited 2018-19
Total Assets	\$27,026,143	\$29,220,126	\$30,335,367
Total Liabilities	3,972,935	8,240,470	10,234,077
Fund Balance			
Nonspendable	25,000	25,000	25,000
Restricted	10,532,733	7,532,390	3,024,708
Committed	--	--	4,506,470
Assigned	3,174,744	--	5,002,491
Unassigned	9,320,731	13,422,266	7,542,621
Total Fund Balance	<u>23,053,208</u>	<u>20,979,656</u>	<u>20,101,290</u>
Total Liabilities and Fund Balance	\$27,026,143	\$29,220,126	\$30,335,367

Source: *The District*.

**Budgeting**

Within the last five years, the District has filed its interim budget reports with positive certifications with the exception of the first and second interim reports for fiscal year 2018-19, the first interim report for fiscal year 2019-20 and the first interim report for fiscal year 2020-21. The qualified certifications are the result, in large part, to declining enrollment, increase in expenses including salaries and retirement contributions and the lack of funded COLA for the budget period and multi-year projections.

In the fall of 2018, the District began the process of creating a budget reduction plan and a Budget Advisory Committee was established in February, 2019. The District considered feedback from Local Control Accountability Plan (“LCAP”) meetings, the LCAP survey, recommendations from the Budget Advisory Committee, and input from District principals. In February 2020, the Board approved reductions of approximately \$2.1 million for fiscal year 2019-20 and \$5.6 million, including both personnel and non-personnel reductions in both fiscal years 2020-2021 and 2021-22, for total reductions of approximately \$13.5 million over the three year budget period. Such reductions permitted the District to certify its 2019-20 second interim report with a positive certification.

Despite those reductions, ongoing declining enrollment, projections of unfunded COLAs and an estimated decrease in the District’s unduplicated pupil count caused the District’s multi-year projections to require additional reductions of approximately \$4.4 million in fiscal year 2021-22. The District intends to identify additional sources of budget reductions to be presented to the Board for approval in February, 2021.

Pursuant to Education Code section 42133, because the District filed qualified certifications in fiscal year 2019-20 and Fiscal Year 2020-21, the District may only issue its Note if the Contra Costa County Superintendent of Schools determines, pursuant to criteria established by the Superintendent of Public Instruction, that the District’s repayment of the Note is probable.

The table below sets forth the District's adopted budgets for fiscal years 2019-20 and 2020-21.

**Pittsburg Unified School District  
General Fund Adopted Budget**

	2019-20 Budget <sup>(1)</sup>	2020-21 Budget <sup>(2)</sup>
BEGINNING FUND BALANCE	\$ 20,101,289	\$ 16,457,408
Total Revenues	148,141,453	159,784,670
Total Expenditures	155,796,407	165,788,857
Other Financing Sources (Uses)	<u>(355,221)</u>	<u>(355,221)</u>
ENDING FUND BALANCE	\$ 12,095,353	\$ 10,097,871

(1) Based on 2019-20 Second Interim Report.

(2) Based on 2020-21 First Interim Report

Source: *The District*.

**Covid-19 Relief Funds**

The District received \$187,554 under SB 117 which the District used to maintain nutritional services, clean and disinfect facilities, and provide personal protective equipment and materials needed to facilitate distance learning. The District also expects to receive approximately \$9,760,107 in CARES Act funds, approximately \$10,061,253 in Elementary and Secondary School Emergency Relief funding, \$1,004,706 in Learning Loss Mitigation funds and approximately \$568,574 in Governor's Emergency Education Relief funding.

**District Debt Structure**

**Long-Term Debt.** A schedule of the District's changes in long-term debt for the year ended June 30, 2019 is shown below:

**Pittsburg Unified School District  
Long-Term Debt**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds	\$254,109,211	\$20,000,000	\$5,320,000	\$268,789,211	\$6,220,000
Unamortized premium	15,817,323	1,836,029	751,890	16,901,462	817,463
Accreted Interest	<u>3,822,236</u>	<u>859,753</u>	<u>--</u>	<u>4,681,989</u>	<u>--</u>
Total general obligation bonds	273,748,770	22,695,782	6,071,890	290,372,662	7,037,463
Certificates of Participation	21,380,000	--	1,065,000	20,315,000	1,135,000
Unamortized premium	<u>1,537,159</u>	<u>--</u>	<u>90,421</u>	<u>1,446,738</u>	<u>90,421</u>
Total certificates of participation	22,917,159	--	1,155,421	21,761,738	1,225,421
Compensated absences	1,000,349	420,412	--	1,420,761	--
Energy loan	826,035	638,965	112,692	1,352,308	112,692
BBVA Compass loan	3,830,000	--	447,000	3,383,000	478,000
Net OPEB liability	33,374,447	7,249,256	--	40,623,703	--
Net pension liability	<u>122,613,868</u>	<u>10,718,978</u>	<u>--</u>	<u>133,332,846</u>	<u>--</u>
Total	\$458,310,628	\$41,723,393	\$7,787,003	\$492,247,018	\$8,853,576

Source: *The District*.

**General Obligation Bonds.** Pursuant to an election on November 2, 2004, the District received authorization to issue \$40.5 million of general obligation bonds (the “2004 Authorization”). No further general obligation bonds remain for issuance under the 2004 Authorization. Pursuant to an election on November 7, 2006, the District received authorization to issue \$85 million of general obligation bonds (the “2006 Authorization”). No further general obligation bonds remain for issuance under the 2006 Authorization. Pursuant to an election on November 2, 2010, the District received authorization to issue \$100 million of general obligation bonds (the “2010 Authorization”). No further general obligation bonds remain for issuance under the 2010 Authorization.

Pursuant to an election on November 2, 2014, the District received authorization to issue \$85 million of general obligation bonds (the “2014 Authorization”). The District has issued three series of general obligation bonds under the 2014 authorization in the aggregate principal amount of \$68 million, such that \$17 million of general obligation bonds remain for issuance under the 2014 Authorization.

Pursuant to an election on November 6, 2018, The District received authorization to issue \$100 million of general obligation bonds (the “2018 Authorization”). The District has issued two series of general obligation bonds under the 2018 authorization in the aggregate principal amount of \$12.505 million, such that \$87.495 million of general obligation bonds remain for issuance under the 2018 Authorization.

The District issued refunding bonds in 2012, 2014, 2015, 2016, 2017 and 2019 to refund certain of its previously issued general obligation bonds.

**Certificates of Participation.** In October, 1998, the District executed and delivered \$11,720,000 Certificates of Participation, 1998 Refinancing Project in order to prepay its \$10,295,000 of 1994 Certificates of Participation.

In February 2001, the District issued \$3,000,000 of Certificates of Participation (2001 Capital Improvements Projects) (the “2001 Certificates”) to finance renovation to existing buildings.

In December 2009, the District issued \$33,895,000 of Certificates of Participation (2009 Capital Projects) to finance the costs of construction of various capital improvements.

In July 2010, the District issued \$20,510,000 of 2010 Certificates of Participation (2010 Financing Project) (the “2010 Certificates”) to finance solar energy projects.

In June, 2012, the District prepaid the outstanding 1998 Certificates and 2001 Certificates from proceeds of a lease financing.

In August 2017, the District issued \$18,270,000 of Certificates of Participation (2017 Financing and Refinancing Projects) to prepay the 2010 Certificates and to finance energy projects.

Payments made by the District for the certificates of participation are made from the District’s general fund, the same source of funds as the District’s Note.

**Short Term Debt.** Other than the District’s Note described herein, the District has no short term debt outstanding.

## Assessed Valuations

Shown in the following table are the assessed valuations for the District from fiscal year 2016-17 to fiscal year 2020-21.

### ASSESSED VALUATIONS Fiscal Years 2016-17 through 2020-21 Pittsburg Unified School District

Fiscal Year	Secured	Utility	Unsecured	Total
2016-17	\$4,094,929,717	\$289,712,185	\$736,151,167	\$5,120,793,069
2017-18	4,389,409,162	204,029,185	765,395,967	5,358,834,314
2018-19	4,724,449,279	159,872,336	778,385,254	5,662,706,869
2019-20	4,862,658,116	145,095,836	841,648,187	5,849,402,139
2020-21	5,130,094,398	140,495,836	891,621,825	6,162,212,059

Source: *California Municipal Statistics, Inc.*

## Cybersecurity

The District collects, processes, and distributes private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. The District maintains cybersecurity insurance in the event of an attack.

In December, 2019, the District was the target of a ransomware attack. It was determined that no personal data was breached and all District internet systems were restored to operational status within a period of a few weeks. The District did not respond to the ransom demands. As the attack occurred during winter recess, the disruption to operations was minimal. Law enforcement was notified and a cybersecurity team was utilized to investigate and repair the systems. Since the ransomware attack, the District has made security upgrades to its internet systems to protect against future attacks. The District can make no assurances however that it won't be subject to a future cybersecurity incident or what impact such incident might have on District operations or whether confidential information held by the District might be breached.

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## **APPENDIX C**

### **DISTRICT CASH FLOWS**

*This Appendix contains current and projected cash flows for each District. The projected cash flow amounts are projections only; there can be no assurance that such projections will be realized.*

**Mt. Diablo Unified School District  
2020-21 Actual/Projected Cash Flow**

	Actual Jul-20	Actual Aug-20	Actual Sep-20	Actual Oct-20	Projected Nov-20	Projected Dec-20	Projected Jan-21	Projected Feb-21	Projected Mar-21	Projected Apr-21	Projected May-21	Projected Jun-21	Projected	Total 2020-21
<b>Beginning Cash</b>	<b>\$41,739,103</b>	<b>\$30,367,986</b>	<b>\$21,530,991</b>	<b>\$24,757,560</b>	<b>\$18,618,939</b>	<b>\$10,694,630</b>	<b>\$32,376,975</b>	<b>\$14,984,075</b>	<b>\$28,150,470</b>	<b>\$5,537,435</b>	<b>\$3,312,497</b>	<b>\$955,759</b>		
<b>Receipts</b>														
Principal Apportionment	6,196,505	6,196,505	15,199,612	11,153,709	11,153,709	15,519,103	11,473,200	5,392,395	2,065,162	2,065,162	2,065,162	-	38,999,969	127,480,193
Property Taxes	156,910,265	-	-	4,190,526	(1,832,200)	(4,369,700)	157,600	(120,800)	(92,500)	1,882,700	23,014,900	(16,662,477)	-	163,078,314
Miscellaneous Funds	-	(2,337,469)	(1,038,875)	(1,038,875)	(1,038,875)	(1,232,900)	(1,232,900)	(1,232,900)	(1,232,900)	(1,232,900)	(1,232,900)	(847,437)	-	(13,698,931)
Federal Revenues	(7,727,044)	1,188,281	15,659,906	2,230,436	5,475,600	2,237,542	5,918,400	473,900	2,412,742	557,400	111,800	14,055,371	-	42,594,334
Other State Revenue	(520,309)	2,035,750	6,633,491	2,263,084	4,653,500	2,707,600	2,940,000	10,400	5,839,061	2,833,900	3,045,600	22,154,097	-	54,596,174
Other Local Revenue	(2,638,460)	758,417	1,100,650	709,726	1,219,300	1,428,600	1,193,200	924,500	848,400	535,800	1,252,700	4,243,468	-	11,576,301
<b>Assets</b>														
Cash Not in Treasury	(5,428)	1,064	-	(3,386)	886	(30,100)	10,100	139,300	(3,000)	23,200	(52,100)	219,464	-	300,000
Accounts Receivable	22,756,395	(683)	22,834	(5,476)	(11,654)	(1,900)	(100)	-	(800)	(700)	(21,257,216)	(21,257,216)	-	1,500,000
Due From Other Funds	36,926	-	-	-	-	-	-	-	-	-	(36,926)	-	-	-
Stores	(7,264)	24,436	14,807	(9,168)	8,968	116,700	(101,900)	67,300	(41,000)	(44,700)	87,400	(125,579)	-	(10,000)
Prepaid Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance on Taxes	(156,904,815)	-	-	-	542,600	39,983,500	806,200	(3,200)	125,600	27,743,000	(1,656,600)	89,363,715	-	-
<b>Total Receipts</b>	<b>18,096,771</b>	<b>7,866,301</b>	<b>37,592,425</b>	<b>19,490,576</b>	<b>20,171,834</b>	<b>56,358,445</b>	<b>21,163,800</b>	<b>5,650,895</b>	<b>9,920,765</b>	<b>34,362,862</b>	<b>26,635,262</b>	<b>91,106,480</b>	<b>38,999,969</b>	<b>387,416,385</b>
<b>Disbursements</b>														
Certificated Salaries	442,048	12,965,910	12,976,806	13,217,681	13,170,797	12,224,800	16,068,400	13,743,400	14,137,600	14,048,600	13,775,600	14,328,545	-	151,100,187
Classified Salaries	1,602,730	3,652,186	4,096,699	4,013,449	4,559,152	5,290,800	5,065,700	5,031,800	5,184,600	4,875,800	4,716,400	5,623,170	-	53,712,486
Employee Benefits	2,797,143	6,437,291	6,592,639	6,681,779	6,925,791	7,042,600	8,520,500	7,673,700	7,767,200	7,725,100	7,684,000	30,703,675	-	106,551,418
Books & Supplies	68,769	337,591	389,683	254,541	662,495	3,167,300	4,907,300	2,678,000	1,608,000	1,841,100	1,215,500	8,943,290	-	26,073,569
Services/Oper. Expenses	1,722,153	1,973,717	1,455,374	2,831,591	3,631,148	5,788,800	5,329,700	6,212,800	3,850,000	5,023,100	5,316,800	13,994,361	-	57,129,544
Capital Outlay	-	146,947	41,178	27,318	67,460	693,400	1,349,100	311,500	33,700	781,300	691,400	470,114	-	4,613,417
Other Outgo/Debt Service	(3,888)	149,090	150,156	(5,868)	112,900	(13,700)	(54,900)	(56,400)	890,800	(40,100)	62,700	891,203	-	2,081,993
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-	0
All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	0
<b>Liabilities</b>														
Accounts Payable	21,583,149	(8,959,436)	7,923,321	(1,391,294)	(1,033,600)	482,100	(2,629,100)	(1,580,300)	(938,100)	2,332,900	(4,470,400)	(11,769,239)	-	(449,999)
Due to Other Funds	120,764	-	740,000	-	-	-	-	-	-	-	-	(860,764)	-	-
Unearned Revenue	1,135,020	-	-	-	-	-	-	-	-	-	-	(935,000)	-	200,020
<b>Total Disbursements</b>	<b>29,467,888</b>	<b>16,703,296</b>	<b>34,365,856</b>	<b>25,629,197</b>	<b>28,096,143</b>	<b>34,676,100</b>	<b>38,556,700</b>	<b>34,014,500</b>	<b>32,533,800</b>	<b>36,587,800</b>	<b>28,992,000</b>	<b>61,389,355</b>	<b>-</b>	<b>401,012,635</b>
<b>Net Increase/Decrease</b>	<b>(11,371,117)</b>	<b>(8,836,995)</b>	<b>3,226,569</b>	<b>(6,138,621)</b>	<b>(7,924,309)</b>	<b>21,682,345</b>	<b>(17,392,900)</b>	<b>(28,363,605)</b>	<b>(22,613,035)</b>	<b>(2,224,938)</b>	<b>(2,356,738)</b>	<b>29,717,125</b>	<b>38,999,969</b>	<b>(13,596,250)</b>
Note Deposits*	-	-	-	-	-	-	-	41,530,000	-	-	-	-	-	-
Note Repayments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Cash</b>	<b>\$30,367,986</b>	<b>\$21,530,991</b>	<b>\$24,757,560</b>	<b>\$18,618,939</b>	<b>\$10,694,630</b>	<b>\$32,376,975</b>	<b>\$14,984,075</b>	<b>\$28,150,470</b>	<b>\$5,537,435</b>	<b>\$3,312,497</b>	<b>\$955,759</b>	<b>\$30,672,884</b>		

\* Preliminary; subject to change.

## Mt. Diablo Unified School District 2021-22 Projected Cash Flow

	Projected Jul-21	Projected Aug-21	Projected Sep-21	Projected Oct-21	Projected Nov-21	Projected Dec-21	Projected Jan-22	Projected Feb-22	Projected Mar-22	Projected Apr-22	Projected May 2022	Projected Jun-22	Projected Total 2021-22
<b>Beginning Cash</b>	<b>\$30,672,884</b>	<b>\$22,323,209</b>	<b>\$24,484,347</b>	<b>\$24,459,285</b>	<b>\$27,359,223</b>	<b>\$23,601,228</b>	<b>(\$7,813,695)</b>	<b>(\$24,416,595)</b>	<b>(\$43,338,495)</b>	<b>(\$45,241,165)</b>	<b>(\$42,372,265)</b>	<b>\$1,936,935</b>	
<b>Receipts</b>													
Principal Apportionment	11,141,450	15,782,038	20,881,238	20,881,238	17,554,005	11,473,200	11,473,200	11,473,200	11,473,200	11,473,200	11,473,200	12,849,402	167,928,571
Property Taxes	156,910,200	-	-	4,190,500	(1,832,300)	(4,370,000)	157,600	(120,900)	(92,600)	1,882,800	39,017,000	(32,663,986)	163,078,314
Miscellaneous Funds	(770,400)	(770,400)	(1,386,700)	(1,386,700)	(1,386,700)	(1,386,700)	(1,386,700)	(1,386,700)	(1,386,700)	(1,386,700)	(1,386,700)	(1,386,606)	(15,407,706)
Federal Revenues	(3,166,700)	486,900	6,417,600	914,000	2,243,900	916,900	2,425,500	194,200	5,292,831	65,500	13,100	1,651,890	17,455,621
Other State Revenue	(483,600)	1,891,900	6,164,900	2,103,200	4,324,800	2,516,300	2,732,300	9,600	11,836,199	1,985,800	2,134,200	15,524,479	50,740,078
Other Local Revenue	(2,638,500)	758,400	1,100,600	709,700	1,219,300	1,428,600	1,193,200	924,500	848,400	535,800	1,252,700	4,243,601	11,576,301
<b>Assets</b>													
Cash Not In Treasury	(500,000)	96,600	(100)	(18,600)	(4,600)	(3,500)	26,100	36,200	(800)	29,200	(26,500)	666,000	300,000
Accounts Receivable	12,707,800	1,300	(40,100)	4,600	17,100	(2,200)	(300)	1,500	(500)	(900)	(100)	(16,688,200)	(4,000,000)
Due From Other Funds	38,447	-	-	-	-	-	-	-	-	-	-	(38,447)	-
Stores	(38,100)	(63,200)	(168,100)	122,600	(68,100)	151,300	(161,200)	119,900	(86,800)	(53,100)	106,500	128,300	(10,000)
Prepaid Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance on Taxes	(152,798,300)	(192,900)	-	-	724,400	30,528,200	198,200	(800)	107,500	21,430,900	(1,215,300)	101,218,100	-
<b>Total Receipts</b>	<b>20,402,297</b>	<b>17,990,638</b>	<b>32,969,338</b>	<b>27,520,538</b>	<b>22,791,805</b>	<b>41,252,100</b>	<b>16,657,900</b>	<b>11,250,700</b>	<b>27,990,730</b>	<b>35,962,500</b>	<b>51,368,100</b>	<b>85,504,533</b>	<b>391,661,179</b>
<b>Disbursements</b>													
Certificated Salaries	444,600	13,043,600	13,054,600	13,296,900	13,249,700	12,298,100	16,164,700	13,825,800	14,222,400	14,132,900	4,258,200	24,014,659	152,006,159
Classified Salaries	1,565,200	3,566,600	4,000,700	3,919,400	4,452,400	5,166,900	4,947,100	4,914,000	5,063,200	4,761,700	1,106,000	8,991,633	52,454,833
Employee Benefits	2,866,900	6,598,000	6,757,200	6,848,600	7,098,700	7,218,400	8,733,300	7,865,300	7,961,200	7,918,000	1,875,900	37,470,675	109,212,175
Books & Supplies	41,600	204,200	235,700	153,900	400,700	1,916,100	2,868,700	1,586,500	968,600	1,034,900	741,200	5,621,455	15,773,555
Services/Oper. Expenses	1,088,500	1,247,600	919,900	1,789,900	2,295,300	3,659,200	2,869,000	3,517,500	2,057,900	2,740,500	3,334,400	10,592,734	36,112,434
Capital Outlay	-	37,100	10,400	6,900	17,000	175,300	341,000	78,700	8,500	197,500	174,900	118,958	1,166,258
Other Outgo/Debt Service	(2,400)	91,900	92,600	(3,700)	69,600	(8,500)	(33,900)	(34,900)	549,700	(24,800)	38,700	550,151	1,284,451
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	0
All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	0
<b>Liabilities</b>													
Accounts Payable	21,583,100	(8,959,500)	7,923,300	(1,391,300)	(1,033,600)	482,100	(2,629,100)	(1,580,300)	(938,100)	2,332,900	(4,470,400)	(11,769,100)	(450,000)
Due to Other Funds	229,452	-	-	-	-	-	-	-	-	-	-	(229,452)	-
Unearned Revenues	935,020	-	-	-	-	-	-	-	-	-	-	(935,620)	(600)
<b>Total Disbursements</b>	<b>28,751,972</b>	<b>15,829,500</b>	<b>32,994,400</b>	<b>24,620,600</b>	<b>26,549,800</b>	<b>30,907,600</b>	<b>33,260,800</b>	<b>30,172,600</b>	<b>29,893,400</b>	<b>33,093,600</b>	<b>7,058,900</b>	<b>74,426,093</b>	<b>367,559,265</b>
<b>Net Increase/Decrease</b>	<b>(8,349,675)</b>	<b>2,161,138</b>	<b>(25,062)</b>	<b>2,899,938</b>	<b>(3,757,995)</b>	<b>10,344,500</b>	<b>(16,602,900)</b>	<b>(18,921,900)</b>	<b>(1,902,670)</b>	<b>2,868,900</b>	<b>44,309,200</b>	<b>11,078,440</b>	<b>24,101,914</b>
Note Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
Note Repayments*	-	-	-	-	-	41,759,423	-	-	-	-	-	-	-
<b>Ending Cash</b>	<b>\$22,323,209</b>	<b>\$24,484,347</b>	<b>\$24,459,285</b>	<b>\$27,359,223</b>	<b>\$23,601,228</b>	<b>(\$7,813,695)</b>	<b>(\$24,416,595)</b>	<b>(\$43,338,495)</b>	<b>(\$45,241,165)</b>	<b>(\$42,372,265)</b>	<b>\$1,936,935</b>	<b>\$13,015,375</b>	

\*Preliminary; subject to change.

**Pittsburg Unified School District  
2020-21 Actual/Projected Cash Flow**

	Jul 2020 Actual	Aug 2020 Actual	Sep 2020 Actual	Oct 2020 Actual	Nov 2020 Projected	Dec 2020 Projected	Jan 2021 Projected	Feb 2021 Projected	Mar 2021 Projected	Apr 2021 Projected	May 2021 Projected	Jun 2021 Projected	Accruals Projected	Total 2020-21
<b>Beginning Cash</b>	<b>\$9,848,261</b>	<b>\$15,771,683</b>	<b>\$4,167,681</b>	<b>\$12,796,458</b>	<b>\$17,161,914</b>	<b>\$14,208,650</b>	<b>\$9,715,385</b>	<b>\$11,640,761</b>	<b>\$31,352,937</b>	<b>\$20,202,020</b>	<b>\$21,452,835</b>	<b>\$13,442,525</b>		
<b>Receipts</b>														
Principal Apportionment	4,198,174	-	9,334,380	14,418,920	7,209,460	7,209,460	12,538,585	2,763,365	970,996	6,300,121	970,994	5,260,071	28,765,745	99,940,271
Property Taxes	-	22,803,212	-	-	(683,129)	(3,059)	(9,153,568)	45,383	(51,819)	1,087,212	(51)	3,001,317	-	17,045,499
Miscellaneous Funds	-	-	-	-	-	-	-	1,429,440	-	-	-	1,336,845	-	2,766,285
Federal Revenues	3,031,454	4,243	5,202,042	253,328	74,908	2,088,129	982,818	-	-	1,129,380	-	199,904	7,766,949	20,733,155
Other State Revenue	790,278	-	158,811	492,805	805,073	1,309,544	1,136,824	-	-	1,418,423	-	6,640,406	1,132,488	13,884,651
Other Local Revenue	57,611	196,481	199,504	317,373	288,616	1,878,801	286,324	348,202	317,074	317,074	389,962	524,446	293,339	5,414,807
<b>Assets</b>														
Cash Not in Treasury	-	-	(0)	-	(3)	-	-	(7)	-	-	(6)	(4)	-	(21)
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	14,773,210	500	5,951,631	-	53,880	-	-	-	-	-	-	-	(37,958,522)	(17,179,301)
Due from Grantor Ag	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stores	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance on Taxes	-	(22,803,212)	-	-	-	-	15,382,528	(1,416)	-	3,150,085	2,838,631	1,433,384	-	(0)
<b>Total Receipts</b>	<b>22,850,727</b>	<b>201,224</b>	<b>20,846,368</b>	<b>15,482,425</b>	<b>7,748,806</b>	<b>12,482,875</b>	<b>21,173,512</b>	<b>4,584,967</b>	<b>1,236,251</b>	<b>13,402,295</b>	<b>4,199,531</b>	<b>18,396,368</b>		<b>142,605,348</b>
<b>Disbursements</b>														
Certificated Salaries	571,815	5,271,386	5,222,594	5,173,806	5,236,198	5,336,198	5,235,433	5,236,198	5,236,198	5,236,198	5,336,198	5,593,366	-	58,685,587
Classified Salaries	1,090,937	1,684,766	1,698,217	1,683,049	1,679,707	1,832,688	1,882,956	1,819,654	1,914,732	1,890,522	1,803,690	2,026,467	-	21,007,385
Employee Benefits	660,311	2,819,261	2,830,546	2,793,916	2,767,574	3,016,009	2,978,259	2,911,802	2,883,227	2,974,218	2,871,539	9,253,356	-	38,760,018
Books & Supplies	3,045	172,080	835,601	219,425	165,393	3,548,131	4,633,699	1,363,926	417,706	367,424	709,079	861,656	6,645,542	19,942,705
Services/Oper. Expenses	1,504,862	738,954	1,844,959	698,373	866,674	3,178,817	2,965,095	2,046,211	1,935,305	1,683,119	1,489,335	4,962,489	-	23,914,193
Capital Outlay	-	95,840	184,708	143,077	(12,931)	-	-	-	-	-	-	297,850	-	708,542
Other Outgo/Debt Service	-	-	(11,388)	-	-	-	1,552,693	-	-	-	-	1,541,305	-	3,082,610
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	43,036	-	43,036
All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	0
<b>Liabilities</b>														
Accounts Payable	9,274,603	1,022,940	(387,646)	405,323	(545)	64,297	-	-	-	-	-	-	(6,645,542)	3,733,430
Use Tax Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Grantor Ag	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	3,821,732	-	-	-	-	-	-	-	-	-	-	-	-	3,821,732
<b>Total Disbursements</b>	<b>16,927,304</b>	<b>11,805,226</b>	<b>12,217,590</b>	<b>11,116,969</b>	<b>10,702,070</b>	<b>16,976,140</b>	<b>19,248,135</b>	<b>13,377,791</b>	<b>12,387,168</b>	<b>12,151,481</b>	<b>12,209,840</b>	<b>24,579,525</b>		<b>173,699,240</b>
<b>Net Increase/Decrease</b>	<b>5,923,423</b>	<b>(11,604,002)</b>	<b>8,628,777</b>	<b>4,365,455</b>	<b>(2,953,264)</b>	<b>(4,493,265)</b>	<b>1,925,376</b>	<b>(8,792,824)</b>	<b>(11,150,918)</b>	<b>1,250,815</b>	<b>(8,010,309)</b>	<b>(6,183,157)</b>	<b>0</b>	<b>(31,093,893)</b>
Note Deposits*	-	-	-	-	-	-	-	28,505,000	-	-	-	-	-	-
Note Repayments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Cash</b>	<b>\$15,771,683</b>	<b>\$4,167,681</b>	<b>\$12,796,458</b>	<b>\$17,161,914</b>	<b>\$14,208,650</b>	<b>\$9,715,385</b>	<b>\$11,640,761</b>	<b>\$31,352,937</b>	<b>\$20,202,020</b>	<b>\$21,452,835</b>	<b>\$13,442,525</b>	<b>\$7,259,368</b>		

\* Preliminary; subject to change.

## Pittsburg Unified School District 2021-22 Projected Cash Flow

	Jul 2021 Projected	Aug 2021 Projected	Sep 2021 Projected	Oct 2021 Projected	Nov 2021 Projected	Dec 2021 Projected	Jan 2022 Projected	Feb 2022 Projected	Mar 2022 Projected	Apr 2022 Projected	May 2022 Projected	Jun 2022 Projected	Accruals Projected	Total 2021-22
<b>Beginning Cash</b>	<b>\$7,259,368</b>	<b>\$16,290,354</b>	<b>\$16,628,034</b>	<b>\$22,290,518</b>	<b>\$25,263,064</b>	<b>\$28,938,778</b>	<b>(\$4,895,133)</b>	<b>(\$1,402,480)</b>	<b>(\$3,303,014)</b>	<b>(\$5,490,257)</b>	<b>(\$210,230)</b>	<b>\$343,708</b>		
<b>Receipts</b>														
Principal Apportionment	4,534,857	4,534,857	10,513,248	8,162,742	8,162,742	8,162,742	10,513,248	8,162,742	8,162,742	10,513,248	8,162,742	10,513,260	-	100,099,170
Property Taxes	-	22,803,212	-	389,873	(683,129)	(3,059)	(9,153,568)	45,383	(51,819)	1,087,212	(51)	2,611,444	-	17,045,499
Miscellaneous Funds	-	-	-	-	-	-	-	1,429,440	-	-	-	1,336,845	-	2,766,285
Federal Revenues	-	-	-	-	-	-	-	-	-	44,187	-	-	5,094,148	5,138,335
Other State Revenue	-	-	-	-	2,113,686	-	530,000	-	-	1,263,340	-	6,426,247	1,507,176	11,840,449
Other Local Revenue	-	181,610	186,246	1,962,390	354,426	314,436	314,436	345,564	314,436	314,436	337,324	455,889	422,841	5,504,034
<b>Assets</b>														
Cash Not In Treasury	-	-	(0)	-	(8)	-	-	(7)	-	-	(6)	(4)	-	(26)
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	14,253,621	5,911,757	5,911,757	6,055,296	3,821,014	-	-	-	1,534,427	-	-	470,649	7,024,164	44,982,686
Due from Grantor Ag	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stores	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance on Taxes	-	(22,803,212)	-	(1,737,150)	950,882	-	15,382,528	(1,416)	-	3,150,085	2,838,631	2,219,652	-	0
<b>Total Receipts</b>	<b>18,788,478</b>	<b>10,628,224</b>	<b>16,611,251</b>	<b>14,833,151</b>	<b>14,719,613</b>	<b>8,474,119</b>	<b>17,586,644</b>	<b>9,981,706</b>	<b>9,959,786</b>	<b>16,372,508</b>	<b>11,338,640</b>	<b>24,033,982</b>	<b>14,048,329</b>	<b>187,376,432</b>
<b>Disbursements</b>														
Certificated Salaries	913,217	5,008,894	5,079,265	5,140,245	5,267,414	6,735,593	5,460,451	5,206,625	5,210,736	5,082,964	5,036,610	5,281,574	-	59,423,586
Classified Salaries	1,198,477	1,708,166	1,769,134	1,775,355	1,855,061	1,778,207	2,058,449	1,862,588	1,761,339	1,640,267	1,701,557	1,922,453	-	21,031,055
Employee Benefits	754,859	2,779,808	2,907,099	2,855,587	2,897,887	3,186,711	3,025,130	2,882,342	2,853,751	2,819,579	2,842,057	9,070,009	-	38,874,819
Books & Supplies	(12,783)	227,776	385,360	492,783	103,248	125,722	226,877	374,766	299,296	376,362	232,192	212,828	4,025,481	7,069,907
Services/Oper. Expenses	1,065,299	566,741	604,929	1,539,437	708,208	1,841,804	1,590,169	1,524,787	1,852,312	1,166,725	975,626	4,418,348	-	17,854,385
Capital Outlay	-	(840)	1,201	57,197	10,303	4,754	(11,337)	31,492	(8,542)	6,584	(3,340)	439,699	-	527,172
Other Outgo/Debt Service	-	-	-	-	-	(35,103)	1,542,472	(360)	(23,645)	-	-	1,599,246	-	3,082,610
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	43,036	-	43,036
All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	0
<b>Liabilities</b>														
Accounts Payable	5,838,423	-	201,779	-	201,779	-	201,779	-	201,782	-	-	-	4,025,481	10,671,023
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Disbursements</b>	<b>9,757,492</b>	<b>10,290,544</b>	<b>10,948,767</b>	<b>11,860,604</b>	<b>11,043,899</b>	<b>13,637,688</b>	<b>14,093,991</b>	<b>11,882,240</b>	<b>12,147,029</b>	<b>11,092,481</b>	<b>10,784,702</b>	<b>22,987,193</b>	<b>8,050,962</b>	<b>158,577,594</b>
<b>Net Increase/Decrease</b>	<b>9,030,986</b>	<b>337,680</b>	<b>5,662,483</b>	<b>2,972,547</b>	<b>3,675,714</b>	<b>(5,163,569)</b>	<b>3,492,653</b>	<b>(1,900,534)</b>	<b>(2,187,243)</b>	<b>5,280,027</b>	<b>553,938</b>	<b>1,046,788</b>	<b>5,997,366</b>	<b>28,798,838</b>
Note Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Note Repayments*	-	-	-	-	-	28,670,343	-	-	-	-	-	-	-	-
<b>Ending Cash</b>	<b>\$16,290,354</b>	<b>\$16,628,034</b>	<b>\$22,290,518</b>	<b>\$25,263,064</b>	<b>\$28,938,778</b>	<b>(\$4,895,133)</b>	<b>(\$1,402,480)</b>	<b>(\$3,303,014)</b>	<b>(\$5,490,257)</b>	<b>(\$210,230)</b>	<b>\$343,708</b>	<b>\$1,390,497</b>		

\* Preliminary; subject to change.

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## APPENDIX D

### DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE TRUST AGREEMENT

*The following is a brief summary of certain provisions of the legal documents related to the Note Participations which are not described in the Official Statement to which this Appendix is attached. This summary is not intended to be definitive and is qualified in its entirety by reference to the fully executed Trust Agreement for the complete terms thereof. A copy of the Trust Agreement is available upon request from the respective Districts.*

#### Definitions

“Authorized Denomination” means \$5,000 or any multiple thereof.

“Authorized School District Representative” means the person or persons designated as such in the School District Note Resolution or any other person at the time designated to act on behalf of such School District by written certificate furnished to the Trustee, containing the specimen signature of such person and signed on behalf of such School District by an Authorized School District Representative.

“Business Day” means any day except Saturday, Sunday or any day on which banks located in the city in which the Principal Office of the Trustee is located are required or authorized to remain closed.

“Certificate” or “Request” with respect to a School District means an instrument in writing signed on behalf of such School District by an Authorized School District Representative.

“Code” means the Internal Revenue Code of 1986 and the regulations issued or applicable thereunder.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to a School District and related to the authorization, execution and delivery of the Notes and the related sale of the Note Participations, including, but not limited to, costs of preparation and reproduction and delivery of documents, filing and recording fees, fees and charges of the Trustee and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Note Participations and any other costs, charges or fees in connection with the original execution and delivery of the Note Participations and the issuance of the Notes.

“Costs of Issuance Fund” means the fund by that name established in the Trust Agreement.

“County” means Contra Costa County, California.

“Defaulted Note” means a Note the principal of or interest on which is not paid when due.

“Default Rate” means the rate of interest per annum payable with respect to the outstanding portion of each Defaulted Note which rate shall equal the Note Rate.

“Financial Advisor” means Fieldman, Rolapp & Associates, Inc., or any other successor thereto.

“Interest Fund” means the fund by that name established in the Trust Agreement.

“Interest Payment Date” means the Maturity Date.

“Maturity Date” means December 1, 2021\*.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under any by virtue of the laws of the State of Delaware, and its successors and assigns.

“Note Participation Payment Fund” means the fund by that name established in the Trust Agreement.

“Note Participations” means the \$70,000,000\* Contra Costa County Schools Pooled Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes, Note Participations Series A, evidencing and representing proportionate and undivided interests in the Notes, as authorized hereby and at any time Outstanding under the Trust Agreement that are executed and delivered by the Trustee under and pursuant to Article II.

“Note Payment Deposit Date” means \_\_\_\_\_, 2021.

“Note Rate” means the stated rate of interest payable on the Notes.

“Note Resolutions” means the respective resolutions adopted by the governing boards of the School Districts authorizing the issuance of the Notes and approving the execution and delivery of the Trust Agreement and the Note Participations.

“Notes” has the meaning assigned in the recitals to the Trust Agreement.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds.

“Outstanding,” when used as of any particular time with reference to Note Participations, means (subject to the provisions of the Trust Agreement) all Note Participations except —

- (1) Note Participations cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Note Participations paid or deemed to have been paid within the meaning of the Trust Agreement; and
- (3) Note Participations in lieu of or in exchange or substitution for which other Note Participations shall have been executed and delivered by the Trustee under the Trust Agreement.

“Owner” means the registered owner of any Outstanding Note Participation.

“Payment Account Deposit Certification” means a certification of the School District in the form set forth as an exhibit to the Trust Agreement that the deposit required to be made to the Payment Account pursuant to the Note Resolution has been made.

“Payment Accounts” means the accounts created by the School Districts pursuant to the Note Resolutions.

“Payment Subaccount” means any subaccounts held on behalf of the School Districts by the Trustee in the Note Participation Payment Fund.

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\* Preliminary; subject to change.



“Permitted Investments” means any of the following to the extent then permitted by law:

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Obligations of instrumentalities or agencies of the United States of America. These are specifically limited to:

- Federal Home Loan Mortgage Corporation (FHLMC) Participation Certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) Debt Obligations

- Federal Home Loan Banks (FHL Banks) Consolidated debt obligations

- Federal National Mortgage Association (FNMA) (i) Debt Obligations and (ii) Mortgage backed securities (excluding stripped mortgage securities-which are purchased at prices exceeding their principal amounts).

Book entry securities listed in 1 and 2 above must be held in a trust account with the Federal Reserve Bank or with a clearing corporation or chain of clearing corporations which has an account with the Federal Reserve Bank.

3. Federal Housing Administration debentures.
4. Commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated A+ by S&P and Prime-1 by Moody’s.
5. Interest bearing demand or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or any national banking associations, the deposits of which are insured by the Bank Insurance Fund (BIF) or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation (SAIF) or any successors thereto. These deposits: (a) must be continuously and fully insured by BIF or SAIF, or (b) must have maturities of less than 366 days and be deposited with banks the short term obligations of which are rated A+ by S&P and P-1 by Moody’s.
6. Shares of a money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least \$100,000,000, and having a

rating AAAM or AAAM-G by a nationally recognized rating agency, including money market mutual funds from which Trustee or its affiliates derive a fee for investment advisory or other services to the fund.

7. Investment agreements which are with investment institutions, or with a financial entity whose obligations are guaranteed or insured by a financial entity, having long-term obligations which are rated “AA” or higher by S&P and “Aa” or higher by Moody’s as to long term instruments and which are approved by S&P and Moody’s; provided that if such rating falls below AA- or Aa3, by S&P or Moody’s, respectively, the investment agreement shall require the Trustee to replace such financial institution or shall provide for the investment agreement to be collateralized at levels and under such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach).
8. Shares of beneficial interests in investments purchased by the Investment Trust of California, doing business as *Ca/*TRUST, a joint powers authority created pursuant to Section 6509.7 of the California Government Code.
9. The County Investment Pool.

“Pricing Confirmation” means those certain Pricing Confirmations attached to the Purchase Agreement as agreed and accepted by each of the respective School Districts.

“Principal Fund” means the fund by that name established in the Trust Agreement.

“Principal Office of the Trustee” means (i) when used with respect to the Trustee, the corporate trust office of the Trustee, which as of the date of the Trust Agreement is located in U.S. Bank, National Association, provided that with respect to payments on the Note Participations and any exchange, transfer, or surrender thereof, means the corporate trust operations office of U.S. Bank, National Association, in San Francisco, California, or such other location designated in writing by the Trustee; and, (ii) with respect to any successor trustee appointed pursuant to the Trust Agreement, such office as is designated in writing to by the Trustee.

“Principal Payment Date” means the date on which principal evidenced and represented by the Note Participations becomes due and payable, being the Maturity Date.

“Proceeds Fund” means the fund by that name established in the Trust Agreement.

“Program” means the Contra Costa County Schools Pooled Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes program, pursuant to which the Note Participations are executed and delivered to assist School Districts in financing cash flow deficits.

“Purchase Agreement” means that certain note participation purchase agreement by and between each of the respective School Districts and the Purchaser relating to the Notes and the Note Participations evidencing interests in such Notes.

“Purchaser” means UBS Financial Services Inc., as Purchaser of the Note Participations.

“Rating Agency” means each national rating agency then maintaining a rating on the Note Participations.

“Repayment Month” means those months identified as pledge months in the Pricing Confirmation Supplement executed by each School District.

“S&P” means S&P Global Ratings.

“School Districts” means the school districts listed in Schedule I to the Trust Agreement and in each case their successors and assigns.

“Special Counsel” means any attorney or firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions and acceptable to the Districts.

“Treasurer” means the Treasurer-Tax Collector of the County.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its principal corporate trust office in San Francisco, California, or any other bank or trust company at its principal corporate trust office which may at any time be substituted in its place as Trustee as provided in the Trust Agreement.

“Unrestricted Revenues” means, with respect to each School District, taxes, income, revenue (including, but not limited to, revenue from state and federal governments), cash receipts and other moneys of each School District (including moneys deposited in inactive or term deposits but excepting certain moneys encumbered for a special purpose), which are received in or accrued to such School District’s Fiscal Year 2020-21.

## **The Trustee**

**Employment and Duties of the Trustee.** The School Districts hereby appoint and employ the Trustee to receive, deposit and disburse the payments on the Notes as provided in the Trust Agreement, to prepare, execute, deliver, transfer, exchange and cancel the Note Participations as provided in the Trust Agreement, to pay the interest and principal evidenced and represented by the Note Participations to the Owners thereof as provided in the Trust Agreement and to perform the other obligations contained in the Trust Agreement; all in the manner provided in the Trust Agreement and subject to the conditions and terms of the Trust Agreement. By executing and delivering the Trust Agreement, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth in the Trust Agreement, and no implied covenants or obligations shall be read in the Trust Agreement against the Trustee.

**Removal and Resignation of the Trustee.** Fifty percent or more of the School Districts may at any time remove the Trustee initially a party to the Trust Agreement and any successor thereto by giving written notice of such removal by mail to the Trustee, all of the School Districts, all Owners of Note Participations and such Trustee may at any time resign by giving written notice by mail of such resignation to the School Districts and all Owners of Note Participations. Upon giving any such notice of removal or upon receiving any such notice of removal or resignation, the School Districts shall promptly appoint a successor Trustee by an instrument in writing; *provided*, that in the event the School Districts do not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. Any successor Trustee shall be a bank or trust company doing business and having a principal corporate trust office either in Seattle, Washington, Los Angeles California or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus (or the parent holding company of which has a combined capital and

surplus) of at least \$75,000,000 and subject to supervision or examination by state or national authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Trust Agreement the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the written acceptance of the appointment by the successor Trustee.

**Compensation of the Trustee.** The Trustee shall be paid for its services, solely from amounts held in the Costs of Issuance Fund or paid by the School Districts specifically for such purpose and reimburse the Trustee for all its advances and expenditures under the Trust Agreement, including, but not limited to, advances to and fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations under the Trust Agreement; *provided*, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established under the Trust Agreement, although the Trustee may take whatever legal actions are available to it directly against the School Districts to recover such compensation or reimbursement.

**Protection of the Trustee.** The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the School Districts, with regard to legal questions arising under the Trust Agreement, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Trust Agreement in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the payments on the Notes, or of the assignment made to it of all rights to receive the payments on the Notes and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or have received written notice thereof at its corporate trust office in Seattle, Washington. The Trustee shall not be accountable for the use or application by the School Districts, or any other party, of any funds which the Trustee properly releases to the School Districts or which the School Districts may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other than the Trustee of the Trust Agreement, any Note Participation, any Note, any Note Resolution or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in the Trust Agreement), or with respect to any obligation of the School Districts.

Whenever in the observance or performance of its rights and obligations under the Trust Agreement or under the Note Participations the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be in the Trust Agreement specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the majority of School Districts, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Note Participations and may join in any action which any Owner may be entitled to take with like effect as if it were not a party to the Trust Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the School Districts, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the School Districts as freely as if it were not the Trustee under the Trust Agreement.

The Trustee shall not be answerable for the exercise of any of its rights under the Trust Agreement or for the performance of any of its obligations under the Trust Agreement or for anything whatsoever in connection with the funds established under the Trust Agreement, except only for its own willful misconduct or negligence.

No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial or other liability or risk in the performance of any of its obligations under the Trust Agreement, or in the exercise of any of its rights under the Trust Agreement, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it, and before taking any remedial action under the Trust Agreement the Trustee may require that indemnity satisfactory to it be furnished for all expenses to which it may be put and to protect it from all liability thereunder.

The Districts will indemnify the Trustee for any liability incurred by the Trustee as a result of the Trustee executing the Representation Letter on behalf of the School Districts.

The Districts agree to indemnify and hold the Trustee, its officers, directors, employees and agents harmless from and against any loss, liability, cost, expense or claim whatsoever which it may incur without negligence or willful misconduct on the Trustee's part, arising out of the acceptance of the duties of the Trustee under the Trust Agreement and the administration thereof or in the exercise or performance of its powers and duties under the Trust Agreement, including without limitation those of its attorneys, including the costs and expenses of defending against any claim of liability. Such indemnity shall survive the termination and discharge of the Trust Agreement.

The Trustee shall have no responsibility with respect to any information statement, recital or the content of any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Notes and Note Participations, other than information statements which have been provided by the Trustee.

The Trustee shall not be liable with respect to any action taken or not taken by it at the direction of the Owners of a majority in aggregate principal amount of Note Participations outstanding relating to the exercise of any right or remedy available to the Trustee or the exercise of any trust or power conferred upon the Trustee under the Trust Agreement.

The Trustee has executed the Note Participations solely in its capacity as Trustee under the Trust Agreement and is not liable thereon in its individual or personal capacity and all payments to be made thereon by the Trustee shall be made solely from funds held by the Trustee under the Trust Agreement.

**Notices to Rating Agencies.** The Trustee shall notify each Rating Agency, in writing, upon occurrence of any of the following events: (i) any amendment, supplement or other change to the Trust Agreement from the form originally executed and entered into; and (ii) any amendment, supplement or other change to any Note or Note Resolution (that the Trustee is aware of).

## **Proceeds of Note Participations**

**Delivery of Note Participations.** The Trustee is authorized to execute and deliver the Note Participations to the Purchaser upon receipt of a written request of the School Districts, the Notes and the proceeds of sale of the Note Participations.

**Establishment of Funds and Deposit of Proceeds of Note Participations.** The Trustee agrees to establish and maintain, in trust, the Costs of Issuance Fund, the Proceeds Fund, the Note Participation Payment Fund and the Payment Accounts therein, the Interest Fund and the Principal Fund. The proceeds received from the sale of the Note Participations are to be deposited in the funds pursuant to the Trust Agreement.

**Use of Money in the Costs of Issuance Fund and the Proceeds Fund; Additional Deposits to Proceeds Fund.** The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance in connection with the Note Participations, upon receipt of (i) a Request of an Authorized School District Representative, which Request shall be sequentially numbered, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund and (ii) an original invoice or invoices or evidence of payment of an invoice when such requisition is in reimbursement thereof. On \_\_\_\_\_ 1, 2021, or on such earlier date upon Request of the School Districts, amounts, if any, remaining in the Costs of Issuance Fund (and not required to pay identified Costs of Issuance, including any additional fees or expenses of the Trustee) shall be credited to and returned by the Trustee by check to each School District in proportion to the amounts initially deposited in the Costs of Issuance Fund attributable to each such School District, and the Trustee shall close the Costs of Issuance Fund.

All monies in the Proceeds Fund shall be held by the Trustee in trust and applied as provided in the Trust Agreement and, pending such application, are hereby pledged to the payment of the Note Participations and shall be subject to a lien and charge in favor of the Owners thereof. Monies on deposit in the Proceeds Fund shall be credited to each of the School Districts initially in amounts set forth in the Trust Agreement. Moneys in the Proceeds Fund shall be disbursed to each School District in the amounts set forth in the Trust Agreement, as soon as practical, pursuant to a Request of an Authorized School District Representative and a written requisition of the School District in substantially the form set forth in the Trust Agreement, submitted in advance of the requested payment date (by facsimile, hand delivery or mail), and pending such disbursement shall, unless otherwise directed by the respective School District, be directed to remain uninvested. Once disbursed, such monies shall be held and invested by the School District as permitted by law and used and expended for any purpose for which the School District is authorized to use and expend moneys.

The Trustee may, but shall not be required to, create subaccounts within the Proceeds Fund, but shall keep records to account separately for funds in the Proceeds Fund attributable to each School District. Said record of separate accounting by the Trustee for each School District shall be deemed a "Proceeds Subaccount" for the purposes of each School District's Note Resolution. To the extent that the Trustee so holds moneys and/or securities in the Proceeds Fund on behalf of a School District on the first Business Day of any Repayment Month, such moneys and securities (up to the amount required to be set aside by the School District in its Payment Account in such Repayment Month) shall no longer be subject to disbursement and shall be deemed to be held by the Trustee on behalf of the School District in the School District's Payment Account. In the event that amounts held by the Trustee in the School District's Payment Account on the first Business Day of any Repayment Month are less than the amount required to be in the Payment Account for such Repayment Month, the Trustee shall notify the School District of such deficiency and such School District shall cure such deficiency within five Business Days from the date of such notice.

## **Trustee's Duties Regarding Notes**

**Return of Paid Notes.** Each Note, when paid in full, shall be cancelled by the Trustee and returned to the School District that issued such Note.

### **Note Payments**

**Deposit of Notes.** The Notes, as evidenced and represented by the Note Participations, are hereby irrevocably deposited with and pledged to the Trustee, who is the registered owner of each Note for the benefit of the Owners of the Note Participations, and the payments on the Notes shall be used for the punctual payment of the interest and principal evidenced and represented by the Note Participations, and the Notes shall not be used for any other purpose while any of the Note Participations remain Outstanding. The deposit and pledge shall constitute a first and exclusive lien on the principal and interest payments of the Notes for the foregoing purpose in accordance with the terms of the Trust Agreement. Each School District approves and the Trustee hereby accepts the deposit of the Notes.

All principal and interest payments on the Notes shall be paid directly by each School District from Unrestricted Revenues of such School District to the Trustee. All principal and interest payments on the Notes received by the Trustee shall be held in trust by the Trustee under the terms of the Trust Agreement and shall be deposited by it, as and when received, in the appropriate payment account within the Note Participation Payment Fund, which funds the Trustee hereby agrees to maintain so long as any of the Note Participations are Outstanding, and all money in such funds shall be held in trust by the Trustee for the benefit and security of the Owners of such Note Participations to the extent provided in the Trust Agreement. If the Trustee receives Note repayments from a School District which, together with other amounts on deposit in the Note Participation Payment Fund allocable to such School District, are in excess of the amounts required to pay the principal of and interest due on such School District's Note, such excess amounts shall remain in such Note Participation Payment Fund and subject to any rebate requirement as specified in the Trust Agreement, shall be transferred to such School District following payment of the Note Participations.

Moneys received by the Trustee attributable to a School District shall not be used in any manner (directly or indirectly) to make up any deficiency in any other School District's Note repayments.

Attached as an exhibit to the Trust Agreement is a form of Deposit Notice to be used by a School District to transfer payments of principal and interest on its Note to the Trustee

**Deposit of Money in the Note Participation Payment Fund.** The Trustee shall deposit the Unrestricted Revenues of the School Districts contained in the Note Participation Payment Fund at the following respective times in the following respective funds in the manner provided in the Trust Agreement, each of which funds the Trustee agrees to maintain so long as the Note Participations are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses authorized in the Trust Agreement. Pending such disbursement, and unless otherwise directed by the School Districts, moneys therein are hereby directed to remain uninvested.

**Interest Fund.** The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund that amount of money representing the interest becoming due and payable on the Notes on such Interest Payment Date. All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by the Note Participations on the Interest Payment Date.

**Principal Fund.** The Trustee, on the Principal Payment Date, shall deposit in the Principal Fund that amount of money representing the principal becoming due and payable on the Notes on such Principal Payment Date. All moneys in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Note Participations on the Principal Payment Date.

**Investments.** Any money held by the Trustee at any time in any Fund created under the Trust Agreement shall, to the fullest extent practicable, be invested as directed in writing by an Authorized School District Representative in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. In the absence of any written direction from the School District, the Trustee shall invest any money held in any Fund created under the Trust Agreement in Permitted Investments identified in the Trust Agreement which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. The amounts held in the Proceeds Fund will be accounted for separately for the respective School Districts. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may at its sole discretion, for the purpose of any such investment, commingle any of the money held by it under the Trust Agreement. The Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by it under the terms of and in accordance with the Trust Agreement. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any interest or profits on such deposits and investments received by the Trustee shall be credited to the fund, account or subaccount from which such investment was made.

The School Districts acknowledge that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the School Districts the right to receive brokerage confirmations of security transactions with respect to the investment of amounts held under the Trust Agreement, the School Districts waive receipt of such confirmations. The Trustee shall furnish the School Districts periodic statements which shall include details of all investment transactions made by the Trustee.

**Confirmation of Deposits to Payment Accounts.** (a) The Trustee shall, on the 15<sup>th</sup> day of the month prior to each month identified as a Repayment Month for each School District, send a request for a Payment Account Deposit Certification, substantially in the form attached as an exhibit to the Trust Agreement, requesting that such School District confirm and certify that it has made or intends to make the required deposit (in the amount and on the date specified in the Pricing Confirmation Supplement for each School District attached to the Purchase Agreement) into its Payment Account created pursuant to its Note Resolution. Such Payment Account Deposit Certification shall be signed by an Authorized School District Representative and delivered to the Trustee within seven Business Days after the date of such request. In the event that the Trustee has not received the Payment Account Deposit Certification from a School District within seven Business Days following the date such Payment Account Deposit Certification was due from a School District, the Trustee shall be entitled to conclude that the deposit into such School District's Payment Account has not been made and shall notify each rating agency then rating the Note Participations, the Financial Advisor and the Purchaser of such event, which constitutes an "Event of Default" under such School District's Note Resolution. Upon the occurrence of such an event, the Trustee shall exercise the rights and remedies set forth in the Trust Agreement. Notwithstanding anything to the contrary in the Trust Agreement, any School District for which the Trustee is holding or investing moneys or securities on behalf of said School District sufficient to make the required deposits in each such Repayment Month (and which moneys or securities are intended to be that School District's Payment Account deposit, either pursuant to the Trust Agreement or through some other arrangement



between the Trustee and the School District) need not present a Payment Account Deposit Certification; likewise, the Trustee need not send a request for a Payment Account Deposit Certification to said School District.

On the Note Payment Deposit Date, the Trustee shall transfer all amounts held by it on behalf of each School District to the Note Participation Payment Fund, as described in the Trust Agreement.

## **Covenants**

**Compliance with Trust Agreement.** The Trustee shall not execute or deliver any Note Participations in any manner other than in accordance with the provisions of the Trust Agreement; and the School Districts will not suffer or permit any default to occur under the Trust Agreement, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by them.

**Amendment of Notes.** The School Districts and the Trustee will not amend or permit the amendment of any Note without (a) (1) a determination that such amendment does not materially adversely affect the interest of the Owners of the Note Participations, or (2) the written consents of the Owners of a majority in aggregate principal amount of the Note Participations then Outstanding, and (b) an Opinion of Counsel to the effect that such amendment will not cause interest on the Notes to be included in gross income for federal income tax purposes; *provided* that no such amendment shall reduce the rate of interest or amount of principal or extend the time of payment thereof with respect to any Note.

**Observance of Laws and Regulations.** The School Districts will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on them by contract, or prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such observance or performance is material to the transactions contemplated hereby.

**Tax Covenants.** The School Districts will not take any action or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Notes, as evidenced and represented by the Note Participations, under Section 103 of the Code. The School Districts will not directly or indirectly use or permit the use of any proceeds of the Note Participations or the obligations which they evidence and represent or any other funds held under the Trust Agreement or take or omit to take any action that would cause the Note Participations or the obligation which they represent to be “private activity bonds” within the meaning of Section 141(a) of the Code or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Code.

The School Districts will not directly or indirectly use or permit the use of any proceeds of the Note Participations or the obligations which they represent or any other funds held under the Trust Agreement or take or omit to take any action that would cause the Note Participations or the obligations which they evidence and represent to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the School Districts have covenanted to comply with all requirements of Section 148 of the Code to the extent applicable to the Notes. In the event that at any time any School District is of the opinion (which opinion may be based on an Opinion of Counsel), that for purposes of the Trust Agreement it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement with respect to such School District, such School District shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

**Liens.** So long as the Note Participations are Outstanding, the School Districts will not create or suffer to be created any pledge of or lien on such Notes other than the pledge and lien of the Trust Agreement.

**Accounting Records and Statements.** The Trustee shall keep proper books of record and account in accordance with industry standards in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of all funds received by the Trustee under the Trust Agreement. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment: (a) its purchase price; (b) identifying information, including par amount, coupon rate, and payment dates; (c) the amount received at maturity or its sale price, as the case may be; (d) the amounts and dates of any payments made with respect thereto; and (e) such documentation as is required to be obtained as evidence to establish that all investments have been purchased in arms' length transactions with no amounts paid to reduce the yield on the investments.

Such records shall be open to inspection by any School District at any reasonable time during regular business hours on reasonable notice.

**Recordation and Filing.** The School Districts will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain at all times a security interest in the Notes under and pursuant to the Trust Agreement, all in such manner, at such times and in such places as may be required in order to fully perfect, preserve and protect the benefit, protection and security of the Owners and the rights of the Trustee under the Trust Agreement, and the School Districts will do whatever else may be necessary or be reasonably required in order to perfect and continue the pledge of and lien on the Notes as provided in the Trust Agreement.

**County Loan.** Each School District, while its Note is outstanding, will not request the Treasurer to make temporary transfers of funds of the Treasurer to meet any obligations of the District during Fiscal Year 2020-21 or Fiscal Year 2021-22 pursuant to Article XVI, Section 6 of the Constitution of the State of California.

**Further Assurances.** Whenever and so often as requested to do so by the Trustee or any Owner, the School Districts will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

### **Default and Limitations of Liability**

**Action on Default.** If (a) any default in the payment of principal of or interest on a Note; or (b) any other "Event of Default" defined in a Note Resolution shall occur and be continuing, or (c) any default shall be made by any School District in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Trust Agreement and such default shall have continued for a period of thirty (30) days after written notice thereof shall have been given to such School District by either (i) the Trustee or (ii) the Owners of not less than a majority in aggregate principal amount of the Note Participations at the time Outstanding, then such default shall constitute an "Event of Default" under the Trust Agreement, and in each and every such case during the continuance of such Event of Default, either the Trustee or such Owners shall be entitled, upon notice in writing to such School District, but subject to the provisions of the Trust Agreement, to exercise the remedies provided to

the owner of such Note then in default or under the Note Resolution pursuant to which it was issued which are necessary or desirable to collect the principal of such Note and the interest thereon to maturity.

The Owners of the Note Participations, for purposes of the Trust Agreement and the Note Resolution of the applicable School District, to the extent of their interest, shall be treated as owners of the Notes and shall be entitled to all rights and security of the owners of such Notes pursuant to each such Note, the Note Resolution and the Trust Agreement, and shall be treated for all purposes as owners of such Notes. Each School District recognizes the rights of the Owners of the Note Participations, acting directly or through the Trustee, to enforce the obligations and covenants contained in such Note, its Note Resolution and the Trust Agreement; provided that in no event shall a School District be liable for any obligations, covenants or damages except those which arise out of its Note and its Note Resolution, and, in particular, no School District shall be liable for any obligations, liabilities, acts or omissions of any other School District.

**Other Remedies of the Trustee.** The Trustee shall have the right (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights under the Trust Agreement against any School District or any supervisor, council member, board member, trustee, member, officer or employee thereof, and to compel such School District or any such supervisor, council member, board member, trustee, member, officer or employee thereof to observe or perform its or his or her duties under applicable law and the agreements, conditions, covenants and terms contained in the Trust Agreement, or in the applicable Note and Note Resolution, required to be observed or performed by it or him or her; (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Owners; or (c) by suit in equity upon the happening of any default under the Trust Agreement to require any School District and any supervisor, council member, board member, trustee, member, officer and employee to account as the trustee of any express trust.

**Non-Waiver.** A waiver by the Trustee of any default under the Trust Agreement or breach of any obligation under the Trust Agreement shall not affect any subsequent default under the Trust Agreement or any subsequent breach of an obligation under the Trust Agreement or impair any rights or remedies on any such subsequent default under the Trust Agreement or on any such subsequent breach of an obligation under the Trust Agreement. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default under the Trust Agreement shall impair any such right or remedy or shall be construed to be a waiver of any such default under the Trust Agreement or an acquiescence therein, and every right or remedy conferred upon the Trustee by applicable law or by the Trust Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned, the Trustee or the School Districts shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

**Application of Funds.** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Disclosure Agreement shall be deposited into a segregated payment account of the Note Participation Payment Fund relating to the defaulting School District's Note and be applied by the Trustee after payment of all amounts due and payable under the Trust Agreement in the following order upon presentation of the several Note Participations, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid; *provided* that the Trustee shall obtain and follow the instructions contained in an Opinion of Counsel and rebate or set aside for rebate from the specified funds held under the Trust Agreement any amount pursuant to such instructions required to be paid to the United States of America under the Code:

First, Costs and Expenses: first to the payment of the costs and expenses of the Trustee and then of the Owners of the Note Participations in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all payments of interest evidenced and represented by the Note Participations then due in the order of the due date of such payments, and, if the amount available shall not be sufficient to pay in full any payment or payments coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal evidenced and represented by the Note Participations which shall have become due, in the order of their due dates, with interest on the overdue principal and interest represented by such Note Participations at a rate equal to the Default Rate and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to such Note Participations on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

**Remedies Not Exclusive.** No remedy conferred upon or reserved in the Trust Agreement to the Trustee is intended to be exclusive and all remedies shall be cumulative and each remedy shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing under applicable law or equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

**Exercise of Remedies; Relative Rights of Note Participation Owners.** Upon the exercise by an Owner or the Trustee of its right of action to institute suit directly against a School District to enforce payment of the obligation evidenced and represented by such Owner's Note Participation, any moneys recovered by such action shall be deposited with the Trustee and applied as provided in the Trust Agreement.

All amounts received in respect of the principal of or interest on a Defaulted Note shall be applied pro rata to the Owners of the Note Participations, and in accordance with the provisions of the Trust Agreement.

**Limited Liability of the School Districts.** Except as expressly provided in the respective Notes and Note Resolutions, the School Districts shall not have any obligation or liability to the Trustee or the Owners with respect to the Trust Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Note Participations or the receipt, deposit or disbursement of the principal of and interest on the Notes by the Trustee, or with respect to the performance by the Trustee of any obligation contained in the Trust Agreement required to be performed by it.

Notwithstanding anything to the contrary in the Trust Agreement or in any Note or document referred to in the Trust Agreement, no School District shall incur any obligation under the Trust Agreement, except to the extent payable from Unrestricted Revenues, nor shall any School District incur any obligation on account of any default, action or omission of any other School District.

**No Liability by the Trustee to the Owners.** Except as expressly provided in the Trust Agreement, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Notes by the School Districts, or with respect to the observance or performance by the School Districts of the other agreements, conditions, covenants and terms contained in the Notes and the Note Resolutions.

## **Amendment of or Supplement to Trust Agreement**

**Amendment or Supplement of Trust Agreement.** The Trust Agreement and the rights and obligations of the Owners and the Trustee under the Trust Agreement may be amended or supplemented at any time by an amendment of the Trust Agreement or supplement to the Trust Agreement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Note Participations then Outstanding, exclusive of Note Participations disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest evidenced and represented by any Note Participation or extend the Interest Payment Date or reduce the amount of principal evidenced and represented by any Note Participation or extend the Principal Payment Date thereof without the prior written consent of the Owner of the Note Participation so affected, or (2) reduce the percentage of Owners whose consent is required by the terms of the Trust Agreement for the execution of certain amendments of the Trust Agreement or supplements to the Trust Agreement, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Trust Agreement and the rights and obligations of the Owners and the Trustee under the Trust Agreement may also be amended or supplemented at any time by an amendment of the Trust Agreement or supplement to the Trust Agreement which shall become binding upon execution without the written consents of any Owners, in order to make any modifications or changes necessary or appropriate in the Opinion of Counsel to preserve or protect the exclusion from gross income of interest on the Notes for federal income tax purposes, or, but only to the extent that such amendment shall not materially adversely affect the interests of the Owners, for any purpose including, without limitation, one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed or performed by the School Districts other agreements, conditions, covenants and terms thereafter to be observed or performed by the School Districts, or to surrender any right reserved in the Trust Agreement to or conferred in the Trust Agreement on the School Districts;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which any School District may deem desirable or necessary; or

(c) to modify, amend or supplement the Trust Agreement or any supplement to the Trust Agreement in such manner as to permit the qualification of the Trust Agreement and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Note Participations for sale under the securities laws of the United States of America or of any of the states of the United States of America and, if Bond Counsel so determines, to add to the Trust Agreement or any supplement to the Trust Agreement such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

**Disqualified Note Participations.** Note Participations held for the account of the School Districts (but excluding Note Participations held in any pension or retirement fund of the School Districts) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Note Participations provided in the Trust Agreement, and shall not be entitled to consent to or take any other action provided in the Trust Agreement, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Trust Agreement shall be deemed effective, to reveal if the Note Participations as to which such consent is given are disqualified as provided in the Trust Agreement.

**Procedure for Amendment with Written Consent of the Owners.** The Trust Agreement may be amended by supplemental agreement as provided therein in the event the consent of the Owners is required. A description of the proposed amendment, together with a request to the Owners for their consent thereto, shall be mailed by the Trustee to each Owner of a Note Participation at his address as set forth in the Note Participation registration books maintained pursuant to the Trust Agreement, but failure to receive copies of such description and request so mailed shall not affect the validity of the supplemental agreement when assented to as provided in the Trust Agreement. Nothing in the Trust Agreement shall be deemed to require the mailing of the supplemental agreement itself to the Owners.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owners of at least a majority in aggregate principal amount of the Note Participations then Outstanding (exclusive of Note Participations disqualified as provided in the Trust Agreement) and notices shall have been mailed as provided. Each such consent shall be effective only if accompanied by proof of ownership of the Note Participations for which such consent is given, which proof shall be acceptable to the Trustee. Any such consent shall be binding upon the Owner of the Note Participation giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the Trustee has received the required percentage of consents of the Owners of the Note Participations and acknowledged the same to the School Districts.

After the Owners of the required percentage of Note Participations shall have filed their consents to such supplemental agreement, the Trustee shall acknowledge to the School Districts the effectiveness of the agreement and shall mail a notice to the School Districts and the Owners of the Note Participations in the manner provided in the Trust Agreement for the mailing of such description, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Note Participations and is effective as provided in the Trust Agreement (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by the Trust Agreement to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved.

**Endorsement or Replacement of Note Participations after Amendment or Supplement.** After the effective date of any action taken as provided in the Trust Agreement, the Trustee may determine that the Note Participations may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Note Participation and presentation of the Note Participation for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Note Participation. If the Trustee shall so determine, new Note Participations so modified as in the opinion of the Trustee shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding Note Participations such new Note Participations shall be exchanged without cost to each Owner for Note Participations then Outstanding at the office of the Trustee upon surrender of such Outstanding Note Participations. All Note Participations surrendered to the Trustee pursuant to the provisions of the Trust Agreement shall be cancelled by the Trustee and shall not be redelivered.

**Amendment or Supplement by Mutual Consent.** The provisions of the Trust Agreement Article shall not prevent any Owner from accepting any amendment or supplement as to the particular Note Participations owned by him; *provided*, that due notation thereof is made on such Note Participations.

## **Defeasance**

**Discharge of Note Participations and Trust Agreement.** If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Note Participations the interest and principal evidenced and represented thereby at the times and in the manner provided in the Trust Agreement and therein, then such Owners shall cease to be entitled to the pledge of and lien on the Notes and the attendant Note Payments and any interest in the funds held under the Trust Agreement as provided in the Trust Agreement, and all agreements and covenants of the School Districts to such Owners under the Trust Agreement and under such School District's Note Resolution shall thereupon cease, terminate and become void and shall be discharged and satisfied.

Any Outstanding Note Participations shall on their Principal Payment Date be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement if there shall be on deposit with the Trustee moneys which are sufficient to pay the interest and principal evidenced and represented by such Note Participations payable on and prior to their Principal Payment Date.

Any Outstanding Note Participations shall prior to their Principal Payment Date be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement if there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient or United States Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal, and which are purchased with moneys and are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the interest evidenced and represented by such Note Participations on and prior to their Principal Payment Date and the principal evidenced and represented by such Note Participations.

After the payment of the interest and principal evidenced and represented by all Outstanding Note Participations as provided in the Trust Agreement, the Trustee shall execute and deliver to the School Districts all such instruments as they may deem necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee, after payment of all fees and expenses of the Trustee, shall pay over or deliver to each School District all money or deposits or investments held by it pursuant to the Trust Agreement allocable to such School District which are not required for the payment of the interest and principal evidenced and represented by such Note Participations.

Written notice of defeasance shall be provided by the Trustee to the Owners of the Note Participations on the date there is on deposit with the Trustee moneys sufficient to pay the interest and principal evidenced by the Note Participations, payable on and prior to their Principal Payment Date. The notice of defeasance shall be substantially in the form attached as an exhibit to the Trust Agreement.

**Unclaimed Money.** Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal evidenced and represented by any Note Participations which remains unclaimed for two (2) years after the date when the payments evidenced and represented by such Note Participations have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal evidenced and represented by such Note Participations have become payable, shall be repaid by the Trustee to the School Districts as their absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the School Districts for the payment of

the interest and principal evidenced and represented by such Note Participations; *provided*, that before being required to make any such payment to the School Districts, the Trustee may, as a charge on such funds, give notice by mail to all Owners of Note Participations that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the School Districts.

### **Continuing Disclosure Agreement**

**Continuing Disclosure Agreement.** The Trust Agreement constitutes a continuing disclosure agreement (the “Disclosure Agreement”), which is entered into by the Districts and the Dissemination Agent for the benefit of the Owners and beneficial owners of the Note Participations and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934.

**Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in the Disclosure Agreement unless otherwise defined in the Disclosure Agreement, the following capitalized terms have the following meanings:

“Disclosure Representative” shall mean the Authorized School District Representative of each of the School Districts or his or her designee, or such other officer or employee as any School District shall designate in writing to the Dissemination Agent and the Trustee from time to time.

“Dissemination Agent” shall mean Fieldman Rolapp & Associates, Inc. dba Applied Best Practices, or any successor Dissemination Agent designated in writing by the School Districts and which has filed with the Trustee a written acceptance of such designation.

“Financial Obligation” means to be 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) a guarantee of (i) or (ii). Financial Obligations do not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rule Making Board consistent with the Rule.

“Listed Events” shall mean any of the events listed in the Disclosure Agreement of the Trust Agreement.

“Participating Underwriter” shall mean any of the original underwriters of the Note Participations required to comply with the Rule in connection with offering of the Note Participations.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

#### **Reporting of Significant Events.**

(a) Pursuant to the Disclosure Agreement, (a) each School District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to its Note or the Note Participations, in a timely manner not in excess of 10 Business Days after the occurrence of the event, pursuant to the Disclosure Agreement:



- (i) principal and interest payment delinquencies.
- (ii) tender offers.
- (iii) defeasances.
- (iv) rating changes.
- (v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- (vi) unscheduled draws on the debt service reserves reflecting financial difficulties.
- (vii) unscheduled draws on credit enhancement reflecting financial difficulties.
- (ix) substitution of the credit or liquidity providers or their failure to perform.
- (x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.
- (xi) bankruptcy, insolvency, receivership or similar event of the School District. For the purposes of the event identified in the Disclosure Agreement, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District.

(b) Pursuant to the provisions of the Disclosure Agreement, each School District shall give, or cause to be given, notice of the occurrence of any of the following events, in a timely manner not in excess of 10 Business Days, with respect to its Note or the Note Participations, if material:

- (i) non-payment related defaults.
  - (ii) modifications to rights of Noteholders.
  - (iii) unless described under section (v) above, material notices or determinations with respect to the tax status of the Notes or the Note Participations, or other material events affecting the tax status thereof.
  - (iv) bond calls.
  - (v) release, substitution or sale of property securing repayment of the Notes,
- if any.
- (vi) Adverse tax opinions or the consummation of a merger, consolidation, or acquisition involving a School District or the sale of all or substantially all of the assets thereof, other than

in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional Trustee with respect to the Note Participations or the change of name of such a trustee or paying agent.

(viii) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Noteholders.

(b) The Trustee shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any of the Listed Events in section (b) above, without making any determination as to materiality, contact the applicable Disclosure Representative or Representatives, inform such person of the event, and request that the applicable School District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to the Disclosure Agreement. For purposes of the Disclosure Agreement, “actual knowledge” of such Listed Events shall mean knowledge by an officer of the Trustee at the Principal Office of the Trustee with regular responsibility for matters related to the Trust Agreement and Note Participations.

(c) Whenever any School District obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee or otherwise, such School District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If any School District has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, such School District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to the Disclosure Agreement.

(e) If in response to a request under the Disclosure Agreement, the applicable School District determines that the Listed Event would not be material under applicable federal securities laws, such School District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to the Disclosure Agreement.

(f) If the Dissemination Agent has been instructed by any School District to report the occurrence of a Listed Event under the Disclosure Agreement, the Dissemination Agent shall file a notice of such occurrence with the Repository not in excess of 10 Business Days after the occurrence of the event. Notwithstanding the foregoing, notice of the Listed Events described in clause (iv) shall not be given any earlier than the notice (if any) of the underlying event is given to Owners of affected Note Participations pursuant to the Trust Agreement unless otherwise directed by the School Districts in writing.

**Termination of Reporting Obligation.** The School District’s, Trustee’s and Dissemination Agent’s obligations under the Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes and the Note Participations.

**Dissemination Agent.** The School Districts may, from time to time, appoint or engage a Dissemination Agent to assist them in carrying out their respective obligations under the Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Fieldman Rolapp & Associates, Inc., dba Applied Best Practices. The Dissemination Agent may resign at any time by providing at least thirty (30) days written notice to the School Districts and the Trustee.

**Amendment; Waiver.** Notwithstanding any other provision of the Disclosure Agreement, the School Districts and the Dissemination Agent and the Trustee may amend the Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the School Districts, *provided* neither the Trustee or Dissemination Agent shall be obligated to enter into an amendment increasing or modifying its duties or obligations under the Trust Agreement), and any provision of the Disclosure Agreement may be waived, *provided* the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of the Disclosure Agreement 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 any of the School Districts or type of business conducted thereby;

(b) the undertakings in the Trust Agreement, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel or counsel expert in federal securities laws addressed to the School Districts and the Trustee, have complied with the requirements of the Rule at the time of the primary offering of the Note Participations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) the proposed amendment or waiver either (i) is approved by the Owners in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of the nationally recognized bond counsel or counsel expert in federal securities laws addressed to the School Districts and the Trustee, materially impair the interests of Owners or beneficial owners of the Note Participations; and

(d) the School Districts shall have delivered copies of such opinions and amendment to each Repository.

**Additional Information.** Nothing in the Disclosure Agreement shall be deemed to prevent the School Districts from disseminating any other information, using the means of dissemination set forth in the Disclosure Agreement or any other means of communication, or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Agreement. If the School Districts choose to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Agreement, the School Districts shall have no obligation under the Trust Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

**Default.** In the event of a failure of the School Districts to comply with any provision of the Disclosure Agreement, the Trustee shall at the written request of any Participating Underwriter or the Owners or beneficial owners of at least 25% aggregate principal amount of Outstanding Note Participations, but only to the extent indemnified to its satisfaction from any liability or expenses, including without limitation fees and expenses of its attorneys, or any Owner or beneficial owner of a Note Participation may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School Districts to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement shall not be deemed an “Event of Default” under the Disclosure Agreement or under any Note Resolution, and the sole remedy under the Disclosure Agreement in the event of any failure of the School Districts to comply with the Disclosure Agreement shall be an action to compel performance.

**Duties, Immunities and Liabilities of Trustee and Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Agreement, and the School Districts agree to indemnify and save the Dissemination Agent and the Trustee, their officers,

directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Trust Agreement, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the School Districts for its services provided under the Trust Agreement in accordance with its schedule of fees as agreed to between the Dissemination Agent and the School Districts from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties under the Trust Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the School Districts under the Trust Agreement and shall not be deemed to be acting in any fiduciary capacity for the School Districts, Owners or any other party and shall have no power to enforce compliance by the School Districts with the provisions of the Trust Agreement. The obligations of the School Districts shall survive resignation or removal of the Dissemination Agent or Trustee and payment of the Notes and the Note Participations.

**Beneficiaries.** The Disclosure Agreement shall inure solely to the benefit of the School Districts, the Trustee, the Dissemination Agent, the Purchaser and the Participating Underwriters and the Owners and beneficial owners, from time to time of the Note Participations, and shall create no rights in any other person or entity.

**APPENDIX E**

**PROPOSED FORM OF BOND COUNSEL OPINION**

\_\_\_\_\_, 2020

Board of Education  
Mt. Diablo Unified School District

Board of Trustees  
Pittsburg Unified School District

Re: \$\_\_\_\_\_ Contra Costa County Schools Pooled Cross Fiscal Year Tax and Revenue  
Anticipation Notes, Note Participations Series A

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Ladies and Gentlemen:

We have acted as bond counsel for the school districts addressed above (each a “District” and collectively, the “Districts”), in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of the Contra Costa County Schools Pooled Cross Fiscal Year Tax and Revenue Anticipation Notes, Note Participations Series A (the “Note Participations”). The Note Participations evidence and represent proportionate and undivided interests in tax and revenue anticipation notes (the “Notes”) issued by the Districts.

Each Note is issued pursuant to Article 7.6, Sections 53850 et seq., and particularly under authority of Section 53853, of the California Government Code (the “Government Code”), and separate resolutions adopted by the governing board of each District (collectively, the “Resolutions”).

The Note Participations are issued pursuant to a Trust Agreement, dated as of February 1, 2021, by and among U.S. Bank National Association, as trustee thereunder and the Districts. Pursuant to the Trust Agreement, the Trustee has acquired the Notes and has executed and delivered the Note Participations.

The Notes are general obligations of the District issuing such Note, payable as to principal and interest from certain Unrestricted Revenues attributable to fiscal year 2020-21 pledged by the Districts pursuant to Section 53856 of the Government Code of the State of California (the “Government Code”) and such District’s Resolution or any other moneys of such District lawfully available for the payment of the principal of the Note and the interest thereon, as and when such other moneys are received or are otherwise legally available. No District has any obligation to pay the principal of or interest on the Notes of any other District. All terms used herein and not defined shall have the meanings assigned thereto in the Trust Agreement.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the Districts for the authorization and issuance of the Notes, including the Resolutions and the execution and delivery of the Note Participations, including the Trust Agreement. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of

the Districts, including a certificate of each District relating to certain federal income tax matters (each a “Tax Certificate”) as we have considered necessary for the purposes of this opinion.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Note Participations has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the Districts. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions. We call attention to the fact that the rights and obligations under the Note Participations and the Resolutions may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Note Participations. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Note Participations and express no opinion herein with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. Each Note constitutes a valid and binding obligation of the District issuing such Note.
2. The Notes are payable as to both principal and interest from the Pledged Revenues (as defined in the respective Resolution) of the issuing District or any other moneys of the District lawfully available for the payment of the principal of the Note and the interest thereon, as and when such other moneys are received or are otherwise legally available.
3. The Resolutions have been duly adopted by the Districts and constitute a valid and binding obligation of the respective District enforceable against such District in accordance with its terms.
4. The Trust Agreement has been duly authorized, executed and delivered by the Districts and, assuming due authorization, execution and delivery by the Trustee, the Trust Agreement constitutes a valid and legally binding obligation of the Districts, enforceable in accordance with its terms.
5. Interest on the Note Participations is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.
6. Interest on the Note Participations is exempt from personal income taxes of the State of California.

Ownership of tax-exempt obligations such as the Note Participations may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Note Participations or such owner’s other items of income or deduction. We express no opinion with respect to any federal, state, or local tax consequences, under present law or any

proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Note Participations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

Dannis Woliver Kelley

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## APPENDIX F

### THE BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book entry system has been obtained from DTC and the Districts take no responsibility for the completeness or accuracy thereof. The Districts cannot and do 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 Note Participations, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Note Participations, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Note Participations, 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 (“DTC”), New York, NY, will act as securities depository for the Note Participations. The Note Participations 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 certificate will be issued for the Note Participations, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s Rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Note Participations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Note Participations on DTC’s records. The ownership interest of each actual purchaser of each Note Participation (“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 Note Participations 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 Note Participations, except in the event that use of the book-entry system for the Note Participations is discontinued.

To facilitate subsequent transfers, all Note Participations 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 Note Participations 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 Note Participations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Note Participations 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 Note Participations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Note Participations, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Note Participations may wish to ascertain that the nominee holding the Note Participations 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Note Participations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Districts 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 Note Participations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Beneficial Owner shall give notice to elect to have its Note Participations purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Note Participations by causing the Direct Participant to transfer the Participant's interest in the Note Participations, on DTC's records, to the Paying Agent. The requirement for physical delivery of Note Participations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Note Participations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Note Participations to the Paying Agent's DTC account.

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

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

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## APPENDIX G

### CONTRA COSTA COUNTY TREASURY POOL

*The following information concerning the Contra Costa County Pooled Investment Fund (the "Investment Pool") has been provided by the Treasurer, and has not been confirmed or verified by the Districts or the Underwriter. The Districts and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the Districts, Municipal Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at <https://www.countytreasurer.org/>; however, the information presented on such website is not incorporated herein by any reference.*

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CONTRA COSTA COUNTY  
TREASURER'S QUARTERLY INVESTMENT REPORT  
AS OF SEPTEMBER 30, 2020

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\*As of 9/30/20, no Treasury Pool assets were invested in the CalTRUST Liquidity fund.



## EXECUTIVE SUMMARY

- The Treasurer's investment portfolio is in compliance with Government Code 53600 et. seq..
- The Treasurer's investment portfolio is in compliance with the Treasurer's current investment policy.
- The Treasurer's investment portfolio has no securities lending, reverse repurchase agreements or derivatives.
- As of 9/30/20, the fair value of the Treasurer's investment portfolio was 1.0061 of the cost. Approximately 77 percent of the portfolio or over \$2.52 billion will mature in less than a year. Historical activities combined with future cash flow projections indicate that the County should be able to meet its cash flow needs for the next six months.
- Treasurer's Investment Portfolio Characteristics

Par	\$3,282,525,730.92
Cost	\$3,277,411,288.00
Market Value	\$3,297,305,100.48
Weighted Yield to Maturity	0.72%
Weighted Average Days to Maturity	287 days
Weighted Duration	0.76 year

Notes:

1. All reporting information is unaudited but due diligence was utilized in its preparation. The information in this report is subject to change without notice.
2. There may be slight differences between the investment pool summary pages and the attached statements and exhibits from time to time. The variances are largely due to the timing difference in recording and/or posting transactions, interests, security values, etc.
3. All securities and amounts reported are denominated in U.S. Dollars.

**CONTRA COSTA COUNTY INVESTMENT POOL**  
As of September 30, 2020

<u>TYPE</u>	<u>PAR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>	<u>PERCENT OF TOTAL COST</u>
<b>A. Investments Managed by Treasurer's Office</b>				
1. U.S. Treasuries (STRIPS, Bills, Notes)	\$433,125,000.00	\$432,149,184.61	\$433,079,184.24	13.19%
2. U.S. Agencies				
Federal Home Loan Banks	270,977,000.00	270,654,559.98	272,439,338.64	8.26%
Federal National Mortgage Association	164,998,000.00	164,589,664.54	167,525,446.28	5.02%
Federal Farm Credit Banks	154,761,000.00	154,627,932.25	156,494,771.18	4.72%
Federal Home Loan Mortgage Corporation	285,585,000.00	285,433,939.77	285,537,362.41	8.71%
Subtotal	876,321,000.00	875,306,096.54	881,996,918.51	26.71%
3. Supranationals - International Government	220,000,000.00	219,682,366.67	220,407,800.00	6.70%
4. Money Market Instruments				
Commercial Paper	196,900,000.00	196,798,468.57	196,865,233.17	6.00%
Negotiable Certificates of Deposit	600,000,000.00	600,000,000.00	600,143,486.13	18.31%
Time Deposit	3,401.36	3,401.36	3,399.80	0.00%
Subtotal	796,903,401.36	796,801,869.93	797,012,119.10	24.31%
5. Corporate Notes	263,957,000.00	261,001,143.09	269,804,853.40	7.96%
<b>TOTAL (Section A.)<sup>1</sup></b>	<b>2,590,306,401.36</b>	<b>2,584,940,660.84</b>	<b>2,602,300,875.25</b>	<b>78.87%</b>
<b>B. Investments Managed by Outside Contractors</b>				
1. PFM	80,831,134.38	80,827,147.51	82,110,213.56	2.47%
2. Local Agency Investment Fund (LAIF)	243,316,080.21	243,316,080.21	244,317,212.49 <sup>2</sup>	7.42%
3. Wells Capital Management	44,029,239.26	44,284,523.73	44,533,923.47 <sup>3</sup>	1.35%
4. CAMP	275,425,449.36	275,425,449.36	275,425,449.36	8.40%
5. CalTRUST (Liquidity Fund)	-	-	-	0.00%
6. US Bank (Federated Tax Free Cash Fund)	4,768,972.70	4,768,972.70	4,768,972.70	0.15%
7. Other				
a. EBRCS Bond	1,428,780.65	1,428,780.65	1,428,780.65	0.04%
<b>TOTAL (Section B.)</b>	<b>649,799,656.56</b>	<b>650,050,954.16</b>	<b>652,584,552.23</b>	<b>19.83%</b>
<b>C. Cash</b>	<b>42,419,673.00</b>	<b>42,419,673.00</b>	<b>42,419,673.00</b>	<b>1.29%</b>
<b><sup>4</sup>GRAND TOTAL (FOR A , B, &amp; C)</b>	<b>\$3,282,525,730.92</b>	<b>\$3,277,411,288.00</b>	<b>\$3,297,305,100.48</b>	<b>100.00%</b>

## Notes:

1. Excludes funds managed by PFM retained by Contra Costa School Insurance Group and Community College District
2. Estimated Fair Value
3. Base Market Value plus Accrued Interest
4. Does not include the Futuris Public Entity Trust of the Contra Costa Community College District Retirement Board of Authority

**CONTRA COSTA COUNTY INVESTMENT POOL**  
**As of September 30, 2020**

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**CONTRA COSTA COUNTY INVESTMENT POOL - EARNING STATISTICS**

	Fiscal Year To Date	Quarter To Date
Average Daily Balance (\$)	3,261,074,697.16	3,261,074,697.16
Net Earnings (\$)	7,422,709.52	7,422,709.52
Earned Income Yield	0.89%	0.89%

**CONTRA COSTA COUNTY INVESTMENT POOL - PORTFOLIO STATISTICS**

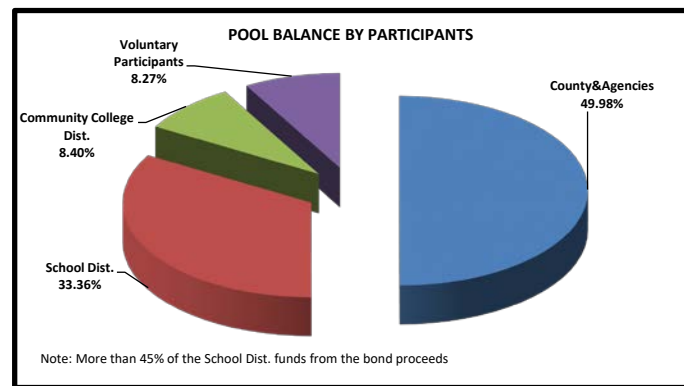
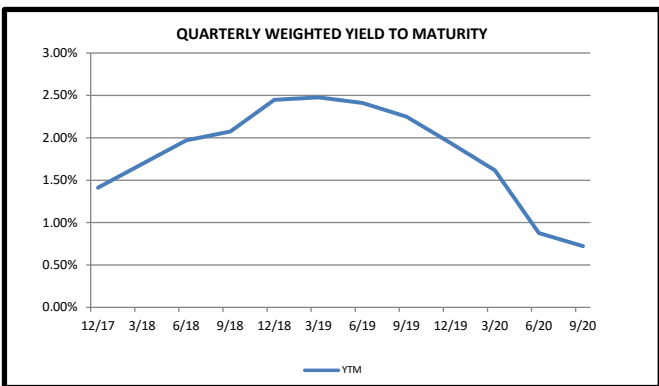
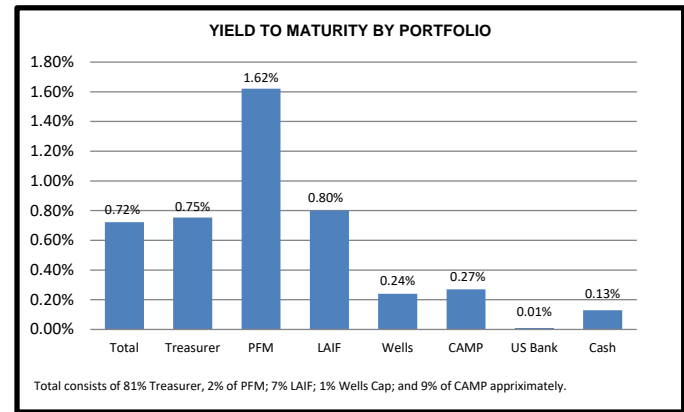
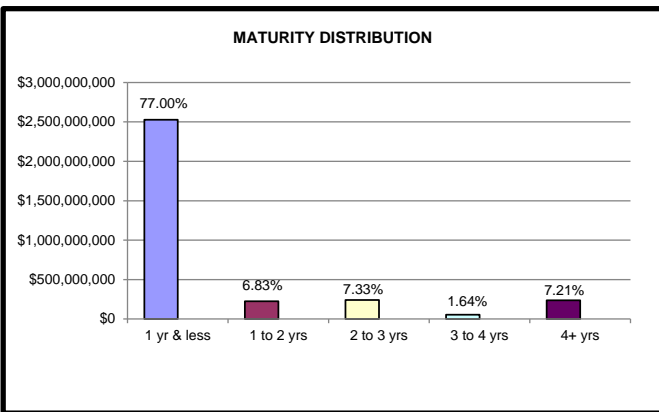
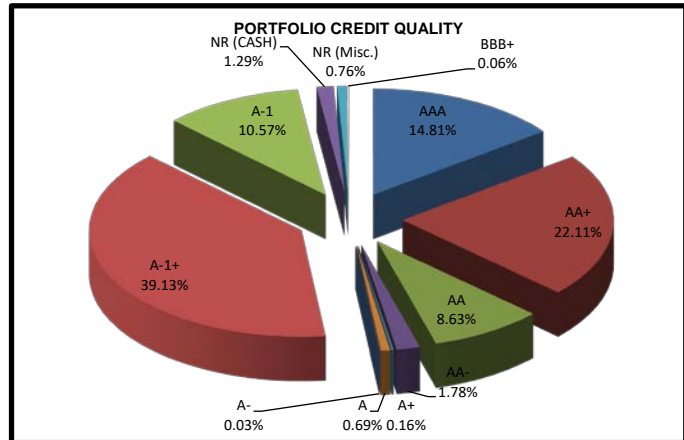
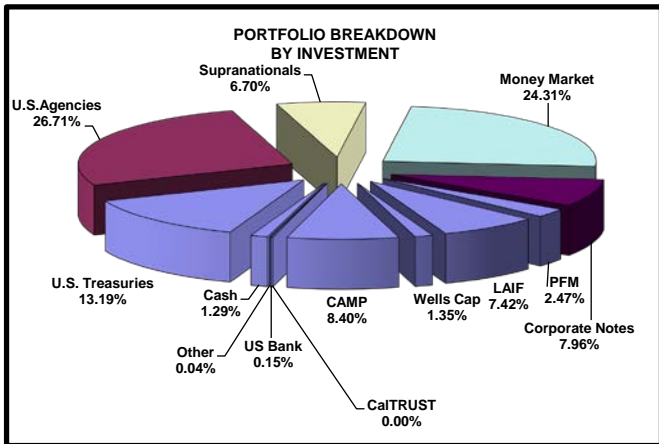
Investment Type	Par Value (\$)	Fair Value (\$)	YTM  (%)	WAM  (days)	Percentage of Portfolio
U.S. Treasury	433,125,000.00	433,079,184.24	0.29	45	13.13%
Agencies	876,321,000.00	881,996,918.51	0.87	717	26.75%
Commercial Paper	196,900,000.00	196,865,233.17	0.18	55	5.97%
NCD/YCD	600,000,000.00	600,143,486.13	0.16	71	18.20%
Corporate Notes	263,957,000.00	269,804,853.40	2.62	500	8.18%
Time Deposit	3,401.36	3,399.80	0.08	236	0.00%
Supranationals	220,000,000.00	220,407,800.00	1.24	157	6.68%
PFM	80,831,134.38	82,110,213.56	1.63	753	2.49%
LAIF	243,316,080.21	244,317,212.49	0.69	1	7.41%
CAMP	275,425,449.36	275,425,449.36	0.27	0	8.35%
CalTRUST (Liquidity)	-	-	-	0	0.00%
Wells Cap	44,029,239.26	44,533,923.47	0.24	266	1.35%
US Bank (Federated Tax Free)	4,768,972.70	4,768,972.70	0.01	0	0.14%
Misc. <sup>1</sup>	1,428,780.65	1,428,780.65	N/A	N/A	0.04%
Cash	42,419,673.00	42,419,673.00	0.13	0 <sup>2</sup>	1.29%
<b>Total Fund<sup>3</sup></b>	<b><u>3,282,525,730.92</u></b>	<b><u>3,297,305,100.48</u></b>	<b><u>0.72</u></b>	<b><u>287</u></b>	<b><u>100.00%</u></b>

1. East Bay Regional Communications System Authority.

2. Average Earning Allowance for this quarter.

3. Excludes the Futuris Public Entity Trust of the CCCC Retirement Board of Authority.

**CONTRA COSTA COUNTY  
INVESTMENT POOL  
AT A GLANCE**  
*As of September 30, 2020*



**NOTES TO INVESTMENT PORTFOLIO SUMMARY AND AT A GLANCE AS OF SEPTEMBER 30, 2020**

1. All report information is unaudited but due diligence was utilized in its preparation.
2. There may be slight differences between the portfolio summary page and the attached exhibits and statements for investments managed by outside contractors or trustees. The variance is due to the timing difference in recording transactions associated with outside contracted parties during interim periods and later transmitted to the appropriate county agency and/or the Treasurer's Office. In general, the Treasurer's records reflect booked costs at the beginning of a period.
3. All securities and amounts included in the portfolio are denominated in United States Dollars.
4. The Contra Costa County investment portfolio maintains Standard & Poor's highest credit quality rating of AA+ and lowest volatility of S1+. The portfolio consists of a large portion of short-term investments with credit rating of A-1/P-1 or better. The majority of the long-term investments in the portfolio are rated AA or better.
5. In accordance with Contra Costa County's Investment Policy, the Treasurer's Office has constructed a portfolio that safeguards the principal, meets the liquidity needs and achieves a return. As a result, approximately 77% of the portfolio will mature in less than a year with a weighted average maturity of 287 days.