

**NEW ISSUE FULL BOOK-ENTRY****RATING: S&P: “\_”**  
(See “RATING” herein)

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Notes is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the Notes.*

\$\_\_\_\_\_,000,000\*

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**  
(County of San Bernardino, California)  
**Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes**

**Dated: Date of Delivery****Due: As shown on the inside cover**

*This cover page contains certain information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire official statement to obtain information essential to making an informed investment decision. Capitalized terms used but not otherwise defined on this cover page shall have the meanings assigned in the Official Statement.*

The San Bernardino City Unified School District (County of San Bernardino, California) Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes (the “Notes”) are being issued to finance seasonal cash flow requirements of the San Bernardino City Unified School District (the “District”) prior to the receipt of anticipated tax payments, income and other revenues thereof.

The Notes are payable from taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the District (including moneys deposited in inactive or term deposits, but excepting certain moneys encumbered for a special purpose), which are generally available for the payment of current expenses and other obligations of the District (collectively, the “Unrestricted Revenues”). As security for the Notes, the District has pledged certain of its Unrestricted Revenues, as further described herein (so pledged, the “Pledged Revenues”). The Pledged Revenues shall be deposited into a repayment fund for the Notes as further described herein. The Notes shall constitute a first lien and charge on such Pledged Revenues and shall be payable therefrom.

The Notes are a general obligation of the District, and, to the extent not paid from such Pledged Revenues, shall be paid from any other moneys of the District lawfully available therefor, as further described herein. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES” herein.

**The Notes are not subject to redemption prior to maturity.**

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**Maturity Schedule\***  
(See inside front cover)

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The Notes will be issued in fully registered form, and when delivered will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, which will act as securities depository therefor. Purchasers will not receive physical certificates representing their respective ownership interests in the Notes, but will instead receive credit balances on the books of their respective nominees. Payments of principal of and interest on the Notes will be made by U.S. Bank National Association, as the designated Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Notes.

*The Notes are each offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Underwriter by \_\_\_\_\_. The Notes, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about \_\_\_\_, 2021.*

**PIPER SANDLER & CO.**

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

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\* Preliminary, subject to change.

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.

## MATURITY SCHEDULE

Base CUSIP<sup>(1)</sup>: 796711

\$\_\_\_\_,000,000\*

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**  
**(County of San Bernardino, California)**  
**Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix<sup>(1)</sup></u>
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\* Preliminary; subject to change.

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Notes. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.

This Official Statement does not constitute an offering of any security other than the original offering of the Notes of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. 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 Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as 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, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "intend," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

Certain of the information set forth herein has been obtained from official sources outside of the District which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District 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 Notes.

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**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**BOARD OF EDUCATION**

Gwendolyn Dowdy-Rodgers, *President*  
Dr. Scott Wyatt, *Vice President*  
Dr. Barbara Flores, *Member*  
Mayra Ceballos, *Member*  
Dr. Margaret Hill, *Member*  
Danny Tillman, *Member*  
Abigail Rosales-Medina, *Member*

**DISTRICT ADMINISTRATION**

Dr. Harold J. Vollkomer, *Interim Superintendent*  
Jayne Christakos, *Associate Superintendent, Business, Facilities, and Operations*  
Dr. Rachel Monárrez, *Assistant Superintendent, Continuous Improvement*  
Dr. Lorraine Perez, *Assistant Superintendent, Student Services*

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**PROFESSIONAL SERVICES**

**BOND AND DISCLOSURE COUNSEL**

Stradling Yocca Carlson & Rauth,  
a Professional Corporation  
*San Francisco, California*

**MUNICIPAL ADVISOR**

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

**PAYING AGENT**

U.S. Bank National Association,  
*Los Angeles, California*

\$\_\_\_\_,000,000\*  
**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**  
**(County of San Bernardino, California)**  
**Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes**

**INTRODUCTION**

*This introduction is not a summary of the Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement.*

**General**

This Official Statement, which includes the cover page, inside cover page, Table of Contents and Appendices thereto, provides certain information in connection with the issuance, sale and delivery by the San Bernardino City Unified School District (the “District”) of \$\_\_\_\_,000,000\* aggregate principal amount of San Bernardino City Unified School District (County of San Bernardino, California) Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes (the “Notes”).

Brief descriptions of the Notes, the security and sources of payment therefor, and the District and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references herein to various documents are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Associate Superintendent, Business, Facilities and Operations of the District.

**The District**

The San Bernardino City Unified School District (the “District”) was formed on July 1, 1964, and is located in an area encompassing approximately 160 square miles in San Bernardino County (the “County”), approximately 65 miles east of Los Angeles. The District primarily serves a portion of the City of Highland, the majority of the City of San Bernardino and some unincorporated areas of the County. The District operates 49 elementary schools, 10 middle schools, a K-8 school, a middle college high school, six comprehensive high schools, an alternative education school, two continuation high schools, two community day schools, an adult education school, and three special education schools. Enrollment in the District for the 2020-21 school year is budgeted to be 48,507 students and the average daily attendance (“ADA”) for fiscal year 2020-21 is budgeted to be 45,615 students. The District’s ADA and enrollment may be impacted by COVID-19. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. The fiscal year 2020-21 assessed valuation of the area served by the District is \$[\_\_\_\_\_]. See “THE SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT” and “SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES” herein.

The District is governed by a seven-member Board of Education (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other key personnel. Dr. Harold Vollkommer is currently the interim Superintendent of the District. See “THE SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT” herein.

The audited financial statements of the District for fiscal year ending June 30, 2020 are attached hereto as APPENDIX D, and should be read in their entirety. For information regarding the District, its operations and finances, see “DISTRICT FINANCIAL INFORMATION” and “SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT” herein.

In order to curb the potential spread of the novel coronavirus known as COVID-19, on March 13, 2020 the Board made the initial decision to close all District schools effective March 16, 2020, and on March 31, 2020, the District, in conjunction with the County Public Health Department and the County Superintendents of Schools, extended school closures through the end of the 2019-20 school year. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. See also “SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT – Assessed Valuations” herein regarding risks related to outbreaks of disease and other factors that may affect the assessed value of property within the District.

### **Authority for Issuance; Purpose of Issue**

The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850 *et seq.*) of the Government Code (the “Notes Act”) and pursuant to resolutions adopted by the Board on March 16, 2020 (the “District Note Resolution”) and by the Board of Supervisors of the County (the “County Board”) on April 6, 2020 (the “County Note Resolution” and together with the District Note Resolution, the “Note Resolutions”). See “THE NOTES – Authority for Issuance” herein.

The Notes are being issued to provide funds to meet fiscal year 2020-21 general fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District. See “THE NOTES – Purpose of Issue” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

### **Security and Sources of Payment**

As provided in Section 53856 of the Notes Act, the principal amount of the Notes, together with the interest thereon, is payable from taxes, income, revenue (including but not limited to, revenue from state and federal governments), cash receipts and other moneys of the District (including moneys deposited in inactive or term deposits, but excepting moneys encumbered for a special purpose), which are generally available for the payment of current expenses and other obligations of the District (collectively, “Unrestricted Revenues”).

As security for the Notes, the District has pledged certain Unrestricted Revenues to the payment thereof, as further described herein. The Notes, in accordance with the Notes Act, are general obligations of the District, and to the extent not paid from Unrestricted Revenues pledged for the payment thereof, shall be paid, with interest thereon, from any other moneys of the District legally available therefor. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Security for the Notes” herein.

### **Offering and Delivery of Notes**

The Notes are each offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Notes in book-entry form will be available for delivery through the facilities of The Depository Trust Company (“DTC”) in New York, New York on or about \_\_\_\_\_, 2021.

## **Form and Registration**

The Notes will be issued in fully registered form only, without coupons, initially registered in the name of Cede & Co., as nominee of DTC, who will act as securities depository for the Notes. See “APPENDIX E – BOOK ENTRY-ONLY SYSTEM” attached hereto. Purchasers of the Notes (the “Beneficial Owners”) will not receive physical certificates representing their interests in the Notes 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 Notes, as nominee of DTC, references herein to the “Owners” or “Holders” of the Notes (other than under the caption “TAX MATTERS” herein) will mean Cede & Co. and will not mean the Beneficial Owners thereof.**

## **Continuing Disclosure**

The District has covenanted that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate relating to the filing of notices of certain listed events, as executed by the District as of the date of issuance and delivery of the Notes, and as may be amended from time to time in accordance with its terms. See “CONTINUING DISCLOSURE” herein and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES” attached hereto.

## **Forward Looking Statements**

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, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “intend,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Notes. Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as Municipal Advisor to the District with respect to the Notes. Stradling Yocca Carlson & Rauth and Fieldman, Rolapp & Associates, Inc. will each receive compensation from the District contingent upon the sale and delivery of the Bonds. U.S. Bank National Association, Los Angeles, California, is acting as the Paying Agent with respect to the Notes. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the District or the Notes.

## **THE NOTES**

### **Authority for Issuance**

The Notes are issued pursuant to the Notes Act and the Note Resolutions.

### **Purpose of Issue**

Issuance of the Notes will provide funds to meet fiscal year 2020-21 general fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District. Borrowing is necessitated by District general fund expenditures occurring in relatively level amounts throughout the year with receipts occurring in uneven amounts. This results primarily from an uneven pattern of payments from State and federal sources, and payments of secured property taxes collected by the County, which collectively are the largest sources of District revenues. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Actual and Projected Cash Flows” and “DISTRICT FINANCIAL INFORMATION” herein. As a result, the District’s general fund cash balance is negative during parts of the fiscal year. The Notes are intended to finance such cash deficits and are an alternative to the District borrowing from the County Treasury.

### **General Provisions**

The Notes will be dated the date of their delivery and will mature on \_\_\_\_\_, 2021 (the “Maturity Date”). The Notes will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000 principal amount, or integral multiples thereof. Beneficial Owners of the Notes will not receive physical notes representing their interests in the Notes, but will instead receive credit balances on the books of their respective nominees.

**So long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references herein to the “Owners” or “Holders” of the Notes (other than under the caption “TAX MATTERS” herein) will mean Cede & Co. and will not mean the Beneficial Owners thereof.**

Interest on the Notes will be computed on the basis of a 360-day year of twelve, 30-day months. Payments of the principal of and interest on the Notes will be made by U.S. Bank National Association, as the designated paying agent, registrar, and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants to the Beneficial Owners of the Notes. Principal of and interest on the Notes shall be payable at maturity upon presentation at the principal corporate trust office of the Paying Agent.

### **Redemption**

The Notes are not subject to redemption prior to the Maturity Date.

### **Defeasance of Notes**

All or any portion of the Notes may be defeased prior to maturity by irrevocably depositing in trust any combination of cash or non-callable (i) United States Treasury obligations, (ii) obligations fully and unconditionally guaranteed as to payment of principal and interest by the United States of America, or (iii) obligations fully and unconditionally guaranteed as to 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. Upon such deposit, and notwithstanding that any of the

Notes shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Notes will cease and terminate, except only the obligation of such escrow agent as shall be selected by the District to pay or cause to be paid from funds deposited in trust as described above, to the Owners of such designated Notes not so surrendered and paid all sums due with respect thereto.

### **Authorized Investments**

Pursuant to the Note Resolutions, the proceeds from the sale of the Notes, and Unrestricted Revenues deposited for the payment of the Notes, shall be invested in the County's pooled investment fund (the "County Pool"). See "APPENDIX F – COUNTY OF SAN BERNARDINO INVESTMENT POOL" attached hereto.

## **SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES**

### **Security for the Notes**

As provided in the Notes Act, the principal amount of the Notes, together with the interest thereon, is payable from Unrestricted Revenues. Pursuant to Section 53856 of the Notes Act and the District Note Resolution, the District has pledged the following to the repayment of the Notes (collectively referred to herein as the "Pledged Revenues"): (i) the first Unrestricted Revenues received by the District in the month ending \_\_\_\_\_, 2021 in an amount equal to \_\_\_% of the principal of the Notes, and (ii) the first Unrestricted Revenues received by the District in the month ending \_\_\_\_\_, 2021, in an amount equal to \_\_\_% of the principal of and 100% of the interest due on the Notes (each such month, a "Pledge Month"). The principal of and interest on the Notes will constitute a first lien and charge against the Pledged Revenues. The Notes, in accordance with the Notes Act, are general obligations of the District, and to the extent not paid from the Pledged Revenues, shall be paid, with interest thereon, from any other moneys of the District legally available therefor.

[Pledged Revenues shall be deposited by the District into the Repayment Fund (defined herein) as follows: (i) in amount equal to \_\_\_% of the principal of the Notes on the last business day of January, 2021, and (ii) in an amount equal to \_\_\_% of the principal of and 100% of the interest due on the Notes on the last business day of \_\_\_, 2021. In the event that there are insufficient Pledged Revenues received by the District in each Pledge Month to permit the deposits into the Repayment Fund of the full amounts constituting the aforesaid pledge, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the payment of the principal of and interest on the Notes. See "– Available Sources of Payment" herein.]

All Pledged Revenues will be deposited into a special fund held by the County Treasurer (the "Treasurer"), designated as the "San Bernardino City Unified School District, Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes Repayment Fund" (the "Repayment Fund"). Moneys in the Repayment Fund will be invested in authorized investments which mature not later than the Maturity Date. After the date on which the amount of Pledged Revenues deposited in the Repayment Fund are sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the general fund of the District upon request of the District.

## Proceeds of the Notes Conditionally Pledged

Pursuant to the Note Resolutions, the net proceeds of the Notes shall, prior to their expenditure by the District, be pledged to the payment of the Notes in the event and to the extent sufficient Pledged Revenues of the District and other legally available revenues are not deposited into the Repayment Fund.

## Available Sources of Payment

The Notes, in accordance with the Notes Act, are general obligations of the District, and to the extent not paid from Pledged Revenues, will be paid with interest thereon from any other moneys of the District legally available therefor. With an interest rate of \_\_%, the amount needed to repay the Notes and the interest thereon is \$\_\_\_\_. The District estimates that funds available from its general fund for payment of the Notes will be approximately \$\_\_\_\_million, as indicated in following table:

### ESTIMATED GENERAL FUND REVENUE Fiscal Year 2020-21 San Bernardino City Unified School District

Sources	Amount
Principal State Apportionment.....	
Federal .....	
Other State .....	
Other Local .....	
Interfund Transfers .....	
Proceeds of the Notes .....	
Total	

*Source: San Bernardino City Unified School District.*

In addition to the District's obligation to repay the Notes, the District has other contractual commitments that must be paid from general fund revenues. For information regarding the levels of the District's expenditure commitments for fiscal year 2020-21, see "– Actual and Projected Cash Flows" herein.

## Limitations on Noteholder Remedies; Bankruptcy

The rights of the Owners of the Notes are subject to the limitations on legal remedies against public agencies in the State. Additionally, enforceability of the rights and remedies of the Owners of the Notes, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

As described in "THE NOTES – Authorized Investments," the District has agreed to cause to be deposited directly into the Repayment Fund the Pledged Revenues. Such Pledged Revenues, while in the Repayment Fund, may be invested with the County Pool. See "APPENDIX F – COUNTY OF SAN

BERNARDINO INVESTMENT POOL” attached hereto. In the event of a petition for the adjustment of debts of the District 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 Pool, a court might hold that the Owners of the Notes payable from such Pledged Revenues do not have a valid prior lien on such Pledged Revenues. In that case, unless the Owners could “trace” Pledged Revenues deposited into the County Pool, the Owners would be unsecured (rather than secured) creditors of the District. The District can make no assurance that Pledged Revenues can be so traced. As such, the filing of bankruptcy by the District could delay or impair the payment of all or a portion of the Notes. Further, the opinion of Bond Counsel as to the enforceability of the Notes is expressly qualified by a declaration of bankruptcy. See “APPENDIX B – FORM OF OPINION OF BOND COUNSEL FOR THE NOTES” attached hereto.

### **Prohibition on County Borrowing**

Pursuant to the District Note Resolution, the District has covenanted that while the Notes are outstanding, the District will not request the Treasurer to make temporary transfers of funds in the custody thereof to meet any obligations of the District during fiscal year 2020-21 pursuant to Article XVI, Section 6 of the State Constitution or any other legal authority.

### **Actual and Projected Cash Flows**

The District has prepared the accompanying monthly general fund cash flow statements covering fiscal years 2019-20 and 2020-21. The general fund is used to finance the ordinary operations of the District and is available for any legally authorized purpose. For fiscal year 2020-21, the District has projected a maximum cumulative cash flow deficit to occur within six months of the issuance of the Notes, and prior to the receipt of the Pledged Revenues. The cash flows reflect the funding levels and assumptions built into the Governor’s 2020-21 Budget (as defined herein). See also “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein.

The estimates and timing of receipts and disbursements presented herein 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 District based on information available to it as of the date of the projections, including the most recent revisions to the State’s funding of school districts. 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 District.

See also “DISTRICT FINANCIAL INFORMATION – Budget Process – Budgeting Trends” herein.

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**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**  
**2019-20 Cash Flow (Actual/Projected)**

	Actual July <u>2019</u>	Actual August <u>2019</u>	Actual September <u>2019</u>	Actual October <u>2019</u>	Actual November <u>2019</u>	Actual December <u>2019</u>	Actual January <u>2020</u>	Actual February <u>2020</u>	Actual March <u>2020</u>	Actual April <u>2020</u>	Actual May <u>2020</u>	Projected June <u>2020</u>
<b>2019-20 Cash Flows</b>												
<b>BEGINNING CASH</b>												
<b>RECEIPTS</b>												
LCFF Sources												
Local Property Taxes												
State Apportionment												
EPA												
Other												
Federal Revenue												
Other State Revenue												
Other Local Revenue												
Interfund Transfers In												
Other Financing Sources												
<b>TOTAL RECEIPTS</b>												
<b>DISBURSEMENTS</b>												
Certificated Salaries												
Classified Salaries												
Employee Benefits												
Supplies												
Services												
Capital Outlay												
Other Outgo and Other												
<b>TOTAL DISBURSEMENTS</b>												
<b>PRIOR YEAR (PY)TRANSACTIONS</b>												
Accounts Receivable												
Accounts Payable												
Suspense Accounts												
<b>TOTAL PY TRANSACTIONS</b>												
<b>NET INCREASE/DECREASE</b>												
<b>TRAN RECEIPTS</b>												
<b>TRAN DISBURSEMENTS</b>												
<b>ENDING CASH</b>												

*Source: San Bernardino City Unified School District.*

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**  
**2020-21 Cash Flow (Projected)**

	Projected July <u>2020</u>	Projected August <u>2020</u>	Projected September <u>2020</u>	Projected October <u>2020</u>	Projected November <u>2020</u>	Projected December <u>2020</u>	Projected January <u>2021</u>	Projected February <u>2021</u>	Projected March <u>2021</u>	Projected April <u>2021</u>	Projected May <u>2021</u>	Projected June <u>2021</u>
<b>2020-21 Cash Flows</b>												
<b>BEGINNING CASH</b>												
<b>RECEIPTS</b>												
LCFF Sources												
Local Property Taxes												
State Apportionment												
EPA												
Other												
Federal Revenue												
Other State Revenue												
Other Local Revenue												
Interfund Transfers In												
Other Financing Sources												
<b>TOTAL RECEIPTS</b>												
<b>DISBURSEMENTS</b>												
Certificated Salaries												
Classified Salaries												
Employee Benefits												
Supplies												
Services												
Capital Outlay												
Other Outgo and Other												
<b>TOTAL DISBURSEMENTS</b>												
<b>PRIOR YEAR (PY)TRANSACTIONS</b>												
Accounts Receivable												
Accounts Payable												
Suspense Accounts												
<b>TOTAL PY TRANSACTIONS</b>												
<b>NET INCREASE/DECREASE</b>												
<b>TRAN RECEIPTS</b>												
<b>TRAN DISBURSEMENTS</b>												
<b>ENDING CASH</b>												

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*Source: San Bernardino City Unified School District.*

## **ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the Notes are expected to be applied as follows:

### **Sources of Funds**

Principal Amount of Notes  
Original Issue Premium  
Total Sources

### **Uses of Funds**

Deposit to County Treasury  
Underwriter's Discount  
Costs of Issuance<sup>(1)</sup>  
Total Uses

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<sup>(1)</sup> Reflects all costs of issuance, including but not limited to the municipal advisory fees, rating fees, demographics and filing fees, printing costs, legal fees, and the costs and fees of the Paying Agent. See "UNDERWRITING" herein.

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## DISTRICT FINANCIAL INFORMATION

### State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

**Revenue Limit Funding.** Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on uniform funding grants assigned to certain grade spans. See "– Local Control Funding Formula" herein.

The following table reflects the District's historical ADA and the revenue limit rates per unit of ADA for fiscal years 2008-09 through 2012-13.

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT**  
**Fiscal Years 2008-09 through 2012-13**  
**San Bernardino City Unified School District**

<u>Fiscal Year</u>	<u>Average Daily Attendance<sup>(1)</sup></u>	<u>Base Revenue Limit Per ADA<sup>(2)</sup></u>	<u>Deficit Revenue Limit Per ADA<sup>(2)</sup></u>
2008-09	49,333	\$6,126	\$5,645
2009-10	48,428	6,388	5,215
2010-11	48,143	6,444	5,286
2011-12	47,931	6,506	5,165
2012-13	47,013	6,803	5,288

Note: All numbers are rounded to the nearest whole.

<sup>(1)</sup> Reflects ADA as of the second principal reporting period ("P-2 ADA"), which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for any school district. Excludes charter school students.

<sup>(2)</sup> Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein).

Source: San Bernardino City Unified School District.

**Local Control Funding Formula.** State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the fiscal year 2013-14 State budget, established the current system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

The primary component of AB 97, as amended by SB 91, was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of State categorical program funding. State allocations are provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below.

Full implementation of the LCFF occurred over a period of several fiscal years. During the implementation period of the LCFF, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$7,702 for grades K-3; (ii) \$7,818 for grades 4-6; (iii) \$8,050 for grades 7-8; and (iv) \$9,329 for grades 9-12. During the implementation period of the LCFF, the Base Grants were required to be adjusted for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs are currently subject to appropriation for such adjustment in the annual State budget. 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. See also "– State Budget Measures" herein for information on the adjusted Base Grants provided by current State budgetary legislation.

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. The LCFF also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs under the prior funding formula.

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). School districts that serve EL/LI students are eligible for a supplemental grant add-on (each, a "Supplemental Grant"), equal to 20% of the applicable Base Grant multiplied by such district's percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are also 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 table on the following page shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2019-20, and budgeted figures for fiscal year 2020-21. However, the District's actual pupil attendance, and associated ADA figures, may be impacted by the current COVID-19 outbreak. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein.

**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**  
**Fiscal Years 2013-14 through 2020-21**  
**San Bernardino City Unified School District**

<b>Fiscal Year</b>	<b>Average Daily Attendance<sup>(1)</sup></b>					<b>Enrollment<sup>(2)</sup></b>	
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>	<b>Total ADA</b>	<b>Total Enrollment</b>	<b>% of EL/LI Enrollment<sup>(3)</sup></b>
2013-14	16,425.71	11,306.99	6,669.77	12,671.90	47,074.37	49,889	94.89%
2014-15	16,413.31	11,506.72	6,767.44	12,779.45	47,466.92	50,242	91.40
2015-16	16,242.56	11,769.45	6,813.72	12,500.36	47,326.09	50,211	90.90
2016-17	15,777.83	11,833.03	6,762.13	12,516.48	46,889.47	49,840	88.83
2017-18	15,581.06	11,749.06	6,886.41	12,489.79	46,706.32	49,451	90.13
2018-19	15,404.76	11,171.71	7,225.75	12,302.13	46,104.35	48,937	89.97
2019-20	15,188.87	11,151.39	7,184.52	12,319.43	45,844.21	48,751	90.39
2020-21 <sup>(4)</sup>	15,112.93	11,095.63	7,148.60	12,257.83	45,614.99	48,507	90.42

(1) Except for fiscal year 2019-20 and 2020-21, reflects ADA as of P-2 ADA, ending on or before the last attendance month prior to April 15 of each school year. An attendance month is each four week period of instruction beginning with the first day of school for any school district. For fiscal year 2019-20, due to the outbreak of COVID-19, P-2 ADA only reflects full school months from July 1, 2019 through February 29, 2020. See “– Considerations Regarding COVID-19” herein.

Excludes charter school students.

(2) Except for fiscal year 2020-21, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and is used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the State Department of Education. CALPADS figures exclude preschool and adult transitional students.

Excludes charter school students.

(3) For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Since fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students has been based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(4) Budgeted.

Source: San Bernardino City Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provided for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumed the discontinuation of deficit revenue limit funding, implementation of COLAs in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on was paid incrementally over the LCFF implementation period. The District does not qualify for the ERT add-on.

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants are multiplied by such district’s P-2 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, yields 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 State legislature to school districts.

Certain school districts, known as “community funded” districts (or alternatively 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. Community funded school districts receive certain other non-LCFF State funding, which is deemed to satisfy the "basic aid" requirement guaranteed by Article IX, Section 6 of the State Constitution. The implication for community funded 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 District does not currently qualify as a basic aid district.

***Accountability.*** Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts 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 are required to cover a three-year period and be updated 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 in meeting 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 applicable 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 with achieving 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.

## Other Revenue Sources

**Other State Sources.** In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

**Federal and Local Sources.** The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, the District receives additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, Developer Fees (as discussed below), Redevelopment Revenues (as discussed below), and other local sources.

**Developer Fees.** The District maintains a fund, separate and apart from the general fund, to account for developer fees collected by the District (the "Developer Fees"). State law requires that Developer Fees be spent only the construction or reconstruction of school facilities to accommodate growths in enrollment. The following table shows the Developer Fees received by the District from fiscal years 2013-14 through 2019-20 and a budgeted amount for fiscal year 2020-21.

**DEVELOPER FEES**  
**Fiscal Years 2013-14 through 2020-21**  
**San Bernardino City Unified School District**

<u>Year</u>	<u>Developer Fees</u>
2013-14	\$3,442,524
2014-15	4,354,558
2015-16	(119,099) <sup>(1)</sup>
2016-17	4,961,910
2017-18	420,528
2018-19	2,750,577
2019-20	2,680,405
2020-21 <sup>(2)</sup>	2,750,000

<sup>(1)</sup> Reflects refund to developer due to prior overpayment of Developer Fees.

<sup>(2)</sup> Budgeted.

Source: San Bernardino City Unified School District.

**Redevelopment Revenues.** The District receives redevelopment revenues from former redevelopment agencies within the County (the "Redevelopment Revenues"). The Redevelopment Revenues are deposited into the general fund. A portion of the Redevelopment Revenues received by the District is offset against the State apportionment, and a portion of the Redevelopment Revenues received is not offset against the State apportionment. Redevelopment Revenues received by the District are a source of funds for the payment of lease payments evidencing principal and interest with respect to the

District's outstanding 2019 Certificates (as defined herein). See "THE DISTRICT – District Debt Structure – Certificates of Participation" herein. The following table shows those Redevelopment Revenues received by the District that are not offset against the State apportionment for fiscal years 2013-14 through 2019-20 and a budgeted amount for fiscal year 2020-21.

**REDEVELOPMENT REVENUES**  
**Fiscal Years 2013-14 through 2020-21**  
**San Bernardino City Unified School District**

<u>Year</u>	<u>Redevelopment Revenues</u>
2013-14	\$3,519,611
2014-15	5,155,046
2015-16	4,766,125
2016-17	6,422,370
2017-18	4,883,633
2018-19	5,108,409
2019-20	6,209,227
2020-21 <sup>(1)</sup>	3,757,050

<sup>(1)</sup> Budgeted. The District only budgets for Redevelopment Revenues not offset against the State apportionment when they are received.

Source: San Bernardino City Unified School District.

The District, however, can make no representations that the Redevelopment Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the legislation eliminating redevelopment agencies. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein.

### **State Dissolution of Redevelopment Agencies**

On December 30, 2011, the State Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("Matosantos"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in the State ceased to exist as a matter of law on February 1, 2012.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where

other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth is tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) (“AB 1290”), are restricted to educational facilities without offset against apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received had the redevelopment agency existed at that time,” and that the County auditor-controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABX1 26 using current assessed values and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which any apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

### **Considerations Regarding COVID-19**

An outbreak of disease or similar public health threat, such as the current coronavirus (“COVID-19”) outbreak, or fear of such an event, could have an adverse impact on the District’s financial condition and operating results.

The spread of COVID-19 is having significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for a wider spread of the virus. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed by the President of the United States. The CARES Act appropriates over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments.

State law allows school districts to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, the Governor of the State has enacted Executive Order N-26-20 (“Executive Order N-26-20”), which (i) generally streamlines the process of applying for such waivers for closures related to COVID-19 and (ii) directs school districts to use LCFF apportionment to fund distance learning and high quality educational opportunities, provide school meals and, as practicable, arrange for the supervision of students during school hours.

On March 17, 2020, Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”) were signed by the Governor, both of which take effect immediately. SB 89 amends the Budget Act of 2019 by appropriating \$500,000,000 from the State general fund for any purpose related to the Governor’s March 4, 2020 emergency proclamation. SB 117, among other things, (i) specifies that for school districts that comply with Executive Order N-26-20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty because of a school closed due to the COVID-19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID-19, (iii) requires a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID-19, and (iv) appropriates \$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 March 19, 2020, the Governor ordered all California residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the “Stay Home Order”).

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the District’s schools). The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

On May 4, 2020, the Governor enacted Executive Order N-60-20 (“Executive Order N-60-20”), which directs the State Public Health Officer to establish criteria to determine whether and how particular

local jurisdictions may implement public health measures that are less restrictive than statewide directives, as the State transitions from Stage 1 to Stage 2, and then Stage 3 of reopening. The stages will be phased in gradually, and counties which have met readiness criteria and worked with the State Department of Public Health can open more public spaces and workplaces, as outlined by the State, with variances allowed by county. The State is currently in early Stage 2, where retail, related logistics and manufacturing, office workplaces, limited personal services, outdoor museums, child care, and essential businesses can open with modifications. Travel for permissible activities, such as healthcare, food, stages 1-3 work, and local shopping will be monitored, and scope of reopening may be altered if necessary to protect public health and safety. The State will continue to issue guidance to assist workplaces to reopen safely. Pursuant to Executive Order N-60-20, local jurisdictions may issue their own public health measures to slow the spread of COVID-19.

On June 29, 2020, Senate Bill 98 (“SB 98”), the education omnibus bill to the 2020-21 State Budget, was signed by the Governor, which takes effect immediately. SB 98 provides that distance learning may be offered by a school district during the 2020-21 academic year on a local educational agency or schoolwide level as a result of an order or guidance from a State public health officer or a local public health officer or for pupils who are medically fragile or would be put at risk by in-person instruction, or who are self-quarantining because of exposure to COVID-19. SB 98 provides requirements for distance learning, including, but not limited to: (i) confirmation or provision of access for all pupils to connectivity and devices adequate to participate in the educational program and complete assigned work, (ii) content aligned to grade level standards that is provided at a level of quality and intellectual challenge substantially equivalent to in-person instruction, (iii) support for pupils who are not performing at grade level or need support in other areas, (iv) special education services, (v) designated and integrated instruction in English language development for English learners, and (vi) daily live interaction with certificated employees and peers. For additional information about the provisions of SB 98, see “– State Budget Measures – 2020-21 State Budget” herein.

On August 28, 2020, the Governor released a new system, Blueprint for a Safer California, which places the State’s 58 counties into four color-coded tiers – purple, red, orange and yellow, in descending order of severity – based on the number of new daily cases of COVID-19 and the percentage of positive tests. Counties must spend at least three weeks in each tier before advancing to the next one. Schools can reopen for limited in-person instruction with local health official approval in counties that have been in the red tier (a daily new case of 4 to 7 per 100,000 people and 5-8% of positive tests) or a lower tier for two weeks. Counties in the purple tier can reopen elementary schools if the local health department provides a waiver. The County is currently assigned to the purple tier as of September 2, 2020, and in-person instruction is not allowed.

On November 19, 2020, the California Department of Public Health issued a limited Stay at Home order, effective November 21, 2020 for those counties under Tier One (Purple) of the Blueprint, requiring that all gatherings with members of other households and all activities conducted outside the residence, lodging, or temporary accommodation with members of other households cease between 10:00 p.m. PST and 5:00 a.m. PST, except for those activities associated with the operation, maintenance, or usage of critical infrastructure or required by law.

On December 3, 2020, the California Department of Public Health announced a Regional Stay at Home Order (the “Regional Stay at Home Order”), and a supplemental order, signed December 6, 2020, which divides the State into four regions (Norther California, Bay Area, Greater Sacramento, San Joaquin Valley, and Southern California), which will go into effect at 11:59 PM the day after a region has been announced to have less than 15% ICU availability. The supplemental order clarifies retail operations and goes into effect immediately. The orders prohibit private gatherings of any size, close sector operations except for critical infrastructure and retail, and require 100% masking and physical distancing in all

others. Guidance related to schools remains in effect and unchanged. Schools that have reopened for in-person instruction may remain open, and schools may continue to bring students back for in-person instruction under the existing elementary school waiver process or cohort guidance provided by the California Department of Public Health. The Regional Stay at Home Order went into effect in the County on December 5, 2020 and was lifted on January 25, 2021.

As a result of the outbreak of COVID-19, the District closed its schools for in-person learning for the remainder of the 2019-20 school year effective March 13, 2020 and began instruction through distance learning. The District opened the 2020-21 school year in an all distance learning environment and must continue in such a learning environment until such time as the County is out of the purple tier for two weeks. In accordance with the State's school reopening guidelines and once the District determines it is safe to do so, the District plans to phase into a Distance Learning PLUS model, in which distance learning shall continue for all, but small groups of students will be able to connect with teachers in person on campuses for short periods of time, and then phase into a hybrid model (a blend of in-person instruction or distance learning) or full distance learning (no in-person instruction), based on parent choice, until the District is able to safely bring all students and staff back to the District's school sites. The District will continue to evaluate the State's school reopening guidelines and will consult with local health officials and the State's school reopening guidelines in implementing the District's plans for the 2020-21 academic year.

Potential impacts to the District 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, including property tax revenue, sales tax revenue and other 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 declines 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. See "THE DISTRICT – District Retirement Systems" herein.

The ultimate impact of COVID-19 on the District's operations and finances is unknown. 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 the local, state and national economies, the assessed valuation of property within the District, or adversely impact enrollment or ADA within the District and, notwithstanding SB 117 or the Blueprint, materially adversely impact the financial condition or operations of the District, including their ability to pay set-asides of Pledged Revenues as described herein or otherwise to pay the Notes.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: San Bernardino County Department of Public Health (<https://wp.sbcounty.gov/dph/>), the Governor's office (<http://www.gov.ca.gov>) and the California Department of Public Health (<https://covid19.ca.gov/>). *The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.*

## **Budget Process**

***State Budgeting Requirements.*** The District is required by provisions of the 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 LCAP, and whether the budget’s ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 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 September 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 September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

A school district whose budget has been disapproved must revise and readopt its budget by October 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 school district budgets and not later than November 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 November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a school district’s budget is approved, the school 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 current fiscal year or the subsequent fiscal year. A qualified certification is assigned to

any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has never had an adopted budget disapproved by the County Superintendent of Schools. Within the past five years, the District has never received a “qualified” or “negative” certification of an Interim Financial Report pursuant to AB 1200.

***General Fund Budgeting.*** The table on the following page show the District’s general fund adopted budgets for the years 2016-17 through 2020-21, audited general fund ending results for the fiscal years 2016-17 through 2019-20, and projected ending results for the fiscal year 2020-21.

**GENERAL FUND BUDGETS AND ACTUAL RESULTS<sup>(1)</sup>**  
**Fiscal Years 2016-17 through 2020-21**  
**San Bernardino City Unified School District**

	2016-17		2017-18		2018-19		2019-20		2020-21	
	Approved Budget <sup>(2)</sup>	Audited Actuals <sup>(2)</sup>	Approved Budget <sup>(2)</sup>	Audited Actuals <sup>(2)</sup>	Approved Budget <sup>(2)</sup>	Audited Actuals <sup>(2)</sup>	Approved Budget <sup>(2)</sup>	Audited Actuals <sup>(2)</sup>	Approved Budget <sup>(3)</sup>	Projected Actuals <sup>(4)</sup>
<b>REVENUES</b>										
LCFF Sources	\$502,534,382	\$502,148,915	\$510,210,430	\$511,267,773	\$537,819,675	\$540,108,866	\$552,339,945	\$553,386,725	\$548,606,013	\$550,321,012
Federal sources	42,978,223	49,453,277	44,503,620	57,321,301	50,442,057	55,986,012	63,349,434	49,261,712	111,191,928	149,943,721
Other State sources	63,251,374	83,450,621	68,092,912	93,273,229	90,579,163	118,525,483	85,686,698	97,323,794	84,803,261	93,584,194
Other local sources	<u>5,508,753</u>	<u>13,197,225</u>	<u>6,071,311</u>	<u>9,794,239</u>	<u>6,209,458</u>	<u>11,850,062</u>	<u>11,449,028</u>	<u>15,703,390</u>	<u>8,964,641</u>	<u>9,551,266</u>
<b>Total Revenues</b>	614,272,733	648,250,038	628,878,273	671,656,542	685,050,353	726,470,423	712,825,105	715,675,621	753,565,843	803,400,193
<b>EXPENDITURES</b>										
Current										
Certificated salaries	282,494,361	273,041,212	275,600,921	285,876,385	291,572,165	293,390,207	302,685,480	301,489,245	308,194,372	309,167,480
Classified salaries	81,886,131	79,931,361	82,565,651	84,698,050	89,312,275	86,911,870	91,829,289	90,956,280	92,011,411	89,954,842
Employee benefits	127,873,557	144,735,476	152,664,231	156,318,083	176,633,544	196,568,091	190,234,402	196,996,120	197,165,367	195,815,959
Books and Supplies	36,904,088	34,340,637	38,006,755	34,971,824	41,176,861	43,949,942	52,823,002	51,009,712	43,296,618	69,238,431
Services and operating expenditures	102,057,491	88,683,190	96,352,844	99,088,694	97,514,067	101,116,356	109,583,494	97,335,796	118,401,606	105,501,960
Capital outlay	4,057,458	6,363,063	4,061,635	8,233,314	22,810,089	20,059,071	15,787,148	12,085,839	1,839,364	8,143,198
Other outgo	(2,032,815)	(1,773,057)	(1,574,004)	(1,147,999)	(1,362,003)	(986,306)	2,912,621	(587,020)	3,137,929	3,087,130
Debt Service – principal	--	104,941	--	109,466	--	114,191	--	2,929,148	--	--
Debt Service – interest	--	<u>13,545</u>	--	<u>15,845</u>	--	<u>4,295</u>	--	<u>2,293,175</u>	--	--
<b>Total Expenditures</b>	633,240,271	625,440,368	647,678,033	668,163,662	717,656,998	741,127,717	765,855,435	754,508,295	764,046,666	780,909,001
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(18,967,538)	22,809,670	(18,799,760)	3,492,880	(32,606,645)	(14,657,294)	(53,030,330)	(38,832,674)	(10,480,823)	22,491,192
<b>Other Financing Sources</b>										
Transfers in	--	--	--	--	--	--	2,014	2,014	--	--
Transfers out	<u>(1,501,324)</u>	<u>(1,155,932)</u>	<u>(3,508,495)</u>	<u>(2,121,667)</u>	<u>(885,663)</u>	<u>(533,031)</u>	<u>(5,429)</u>	<u>(5,429)</u>	--	--
<b>Net Financing Sources</b>	(1,501,324)	(1,155,932)	(3,508,495)	(2,121,667)	(885,663)	(533,031)	(3,415)	(3,415)	--	--
<b>NET CHANGE IN FUND BALANCE</b>	(20,468,863)	21,653,738	(22,308,255)	1,371,213	(33,492,309)	(15,190,325)	(53,033,745)	(38,836,089)	(10,480,823)	22,491,192
<b>Fund Balance - Beginning</b>	<u>83,089,447</u>	<u>83,089,447</u>	<u>104,743,185</u>	<u>104,743,185</u>	<u>106,114,398</u>	<u>106,114,398</u>	<u>90,475,707<sup>(5)</sup></u>	<u>90,924,073</u>	<u>44,316,448<sup>(5)</sup></u>	<u>52,087,984</u>
<b>Fund Balance - Ending</b>	<u>\$62,620,584</u>	<u>\$104,743,185</u>	<u>\$82,434,930</u>	<u>\$106,114,398</u>	<u>\$72,622,090</u>	<u>\$90,924,073</u>	<u>\$37,441,962</u>	<u>\$52,087,984</u>	<u>\$33,835,625</u>	<u>\$74,579,176</u>

<sup>(1)</sup> For fiscal years 2016-17 through 2018-19, includes the general fund and Fund 14, the Deferred Maintenance Fund, in accordance with GASB Statement No. 54.

<sup>(2)</sup> From the District's audited financial statements for fiscal years 2016-17 through 2019-20, respectively.

<sup>(3)</sup> From the District's Final Budget for fiscal year 2020-21 approved by the Board on June 30, 2020.

<sup>(4)</sup> From the District's First Interim Financial Report for fiscal year 2020-21 approved by the Board on December 15, 2020.

<sup>(5)</sup> The beginning fund balances in fiscal years 2019-20 and 2020-21 do not equal the ending fund balances in fiscal years 2018-19 and 2019-20 due to the exclusion of Fund 14, the Deferred Maintenance Fund.

Source: San Bernardino City Unified School District.

## **Accounting Practices**

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all State school districts. The Governmental Accounting Standards Board ("GASB") has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements are effective for the District, as well as any other governmental agency with annual revenues of \$100 million or more. Revenue is recorded on an accrual basis except for district property taxes which are considered revenue in the year collections are made and therefore are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the fiscal year, are reflected as adjustments to fund balance.

## **Comparative Financial Statements**

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2020, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 777 North F Street, San Bernardino, CA 92410, telephone number (909) 381-1100.

The following table shows a summary of the District's revenues, expenditures and fund balances for fiscal years 2015-16 through 2019-20.

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**SUMMARY OF GENERAL FUND  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE<sup>(1)</sup>  
Fiscal Years 2015-16 through 2019-20  
San Bernardino City Unified School District**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
<b>Revenue</b>					
LCFF sources	\$472,250,483	\$502,148,915	\$511,267,773	\$540,108,866	\$553,386,725
Federal sources	43,116,962	49,453,277	57,321,301	55,986,012	49,261,712
Other state sources	99,005,875	83,450,621	93,273,229	118,525,483	97,323,794
Other local sources	<u>10,518,558</u>	<u>13,197,225</u>	<u>9,794,239</u>	<u>11,850,062</u>	<u>15,703,390</u>
<b>Total Revenues</b>	624,891,878	648,250,038	671,656,542	726,470,423	715,675,621
<b>Expenditures</b>					
Current					
Instruction	363,144,910	376,599,095	396,078,054	444,952,147	451,966,881
Instruction-related activities:					
Supervision of instruction	25,505,553	30,032,268	36,672,756	39,529,561	39,882,270
Instructional library, media and technology	3,443,878	3,596,649	3,981,203	4,125,699	4,215,522
School site administration	42,777,148	47,434,197	52,633,377	56,167,984	60,157,824
Pupil services:					
Home-to-school transportation	20,862,016	22,350,969	21,118,489	20,611,292	20,626,780
Food services	11,484	53,611	34,048	110,904	17,757
All other pupil services	40,617,202	45,520,927	52,037,709	58,188,242	58,076,914
Administration:					
Data processing	6,971,084	7,402,365	8,409,292	9,993,292	10,050,601
All other administration	20,351,505	21,571,221	20,375,595	22,141,801	23,825,543
Plant services	62,355,644	64,469,172	67,579,073	65,367,429	66,230,935
Facility acquisition and construction	4,594,702	4,573,394	7,685,595	17,835,748	12,028,048
Community services	1,405,271	1,287,536	786,390	982,947	913,903
Other outgo	391,341	430,478	646,770	999,901	1,292,994
Debt service					
Principal	1,155,701	104,941	109,466	114,191	2,929,148
Interest and other	<u>38,839</u>	<u>13,545</u>	<u>15,845</u>	<u>4,295</u>	<u>2,293,175</u>
<b>Total Expenditures</b>	593,626,278	625,440,368	668,163,662	741,127,717	754,508,295
<b>Excess (deficiency) of revenues over expenditures</b>	31,265,600	22,809,670	3,492,880	(14,657,294)	(38,832,674)
<b>Other Financing Sources (Uses):</b>					
Transfers in	59,977	--	--	--	2,014
Other sources – capital lease	--	--	--	--	--
Transfers out	<u>(1,896,851)</u>	<u>(1,155,932)</u>	<u>(2,121,667)</u>	<u>(533,031)</u>	<u>(5,429)</u>
<b>Net Financing Sources (Uses)</b>	(1,836,874)	(1,155,932)	(2,121,667)	(533,031)	<u>(3,415)</u>
<b>NET CHANGE IN FUND BALANCE</b>	29,428,726	21,653,738	1,371,213	(15,190,325)	(38,836,089)
<b>Fund Balance — Beginning</b>	<u>53,660,721</u>	<u>83,089,447</u>	<u>104,743,185</u>	<u>106,114,398</u>	<u>90,924,073</u>
<b>Fund Balance — Ending</b>	<u>\$83,089,447</u>	<u>\$104,743,185</u>	<u>\$106,114,398</u>	<u>\$90,924,073</u>	<u>\$52,087,984</u>

<sup>(1)</sup> Includes the general fund and Fund 14, the Deferred Maintenance Fund, in accordance with GASB Statement No. 54.  
Source: San Bernardino City Unified School District.

## State Budget Measures

*The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. f.*

**2020-21 State Budget.** On June 29, 2020, the Governor signed into law the State budget for fiscal year 2020-21 (the "2020-21 Budget"). The following information is drawn from the Department of Finance's summary of the 2020-21 Budget.

As with the Governor's May revision (the "May Revision") to the proposed State budget, the 2020-21 Budget acknowledges that the rapid onset of COVID-19 has had an immediate and severe impact on the State's economy. The ensuing recession has caused significant job losses and precipitous drops in family and business income, and has exacerbated inequality. The May Revision forecast included a peak unemployment rate of 24.5% in the second quarter of 2020 and a decline in personal income of nearly 9%. The 2020-21 Budget reports that the official unemployment rate exceeded 16% in both April and May of 2020.

The 2020-21 Budget includes a number of measures intended to address a projected deficit of \$54.3 billion identified by the May Revision, and occasioned principally by declines in the State's three main tax revenues (personal income, sales and use, and corporate). The measures included in the 2020-21 Budget, and described below, are intended to close this deficit and set aside \$2.6 billion in the State's traditional general fund reserve, including \$716 million for the State to respond to the changing conditions of the COVID-19 pandemic:

- *Draw Down of Reserves* – The 2020-21 Budget draws down \$8.8 billion in total State reserves, including \$7.8 billion from the BSA, \$450 million from the Safety Net Reserve and all funds in the PSSSA.
- *Triggers* – The 2020-21 Budget includes \$11.1 billion in reductions and deferrals that would be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives less than this amount, reductions and deferrals would be partially restored. The triggers includes \$6.6 billion in deferred spending on education, \$970 million in funding for the California State University and University of California systems, \$2.8 billion in State employee compensation and \$150 million for courts, as well as funding for various other State programs. The triggers would also fund an additional \$250 million for county programs to backfill revenue losses.
- *Federal Funds* – The 2020-21 Budget relies on \$10.1 billion in federal funds, including \$8.1 billion of which has already been received. This relief includes recent congressional approval for a temporary increase in the federal government's share of Medicaid costs, a portion of the State's Coronavirus Relief Fund allocation pursuant to the CARES Act and federal funds provided for childcare programs.
- *Borrowing/Transfers/Deferrals* – The 2020-21 Budget relies on \$9.3 billion in special fund borrowing and transfers, as well as deferrals to K-14 education discussed further herein. Approximately \$900 million of special fund borrowing is associated with reductions to State employee compensation and is subject to the triggers discussed above.

- *Increased Revenues* – The 2020-21 Budget temporarily suspends for three years net operating loss tax deductions for medium and large businesses and limits business tax credits, with an estimated increase in tax revenues of \$4.3 billion in fiscal year 2020-21.
- *Cancelled Expansions, Updated Assumptions and Other Measures* – The 2020-21 Budget includes an additional \$10.6 billion of measures, including cancelling multiple programmatic expansions, anticipated governmental efficiencies, higher ongoing revenues above the forecast included in the May Revision, and lower health and human services caseload costs than assumed by the May Revision.

For fiscal year 2019-20, the 2020-21 Budget projects total general fund revenues and transfers of \$137.6 billion and authorizes expenditures of \$146.9 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$17 billion, including \$16.1 billion in the BSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2020-21, the 2020-21 Budget projects total general fund revenues and transfers of \$137.7 billion and authorizes expenditures of \$133.9 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of \$11.4 billion, including \$2.6 billion in the traditional general fund reserve (of which \$716 million is earmarked for COVID-related responses), \$8.3 billion in the BSA and \$450 million in the Safety Net Reserve Fund.

As a result of the projected reduction of State revenues occasioned by the COVID-19 pandemic, the 2020-21 Budget estimates that the Proposition 98 minimum funding guarantee for fiscal year 2020-21 is \$70.1 billion, approximately \$10 billion below the revised prior-year funding level. For K-12 school districts, this results in per-pupil spending in fiscal year 2020-21 of \$10,654, a reduction of \$1,339 from the prior year.

The 2020-21 Budget proposes several measures intended to ameliorate the immediate impact of State revenue declines, and avoid a permanent decline in education funding:

- *Local Control Funding Formula* – The 2020-21 Budget provides for \$1.9 billion in LCFF apportionment deferrals for fiscal year 2019-20. The deferrals increase to \$11 billion in fiscal year 2020-21, which results in LCFF funding remaining at 2019-20 levels in both years. The 2020-21 Budget also suspends the statutory COLA in fiscal 2020-21. Of the total deferrals, \$5.8 billion will be triggered off in fiscal year 2020-21 if sufficient federal funding for this purpose is received.
- *Learning Loss Mitigation* – The 2020-21 Budget includes a one-time investment of \$5.3 billion (\$4.75 billion in CARES Act funding and \$539.9 million in Proposition 98 funding) to local educational agencies to address learning losses related to COVID-19 school closures. Of these funds, \$2.9 billion will be allocated based on LCFF supplemental and concentration grant allocations, \$1.5 billion based on the number of students with exceptional needs, and \$979.8 million based on total LCFF allocations.
- *Supplemental Appropriations* – The 2020-21 Budget provides for a new, multi-year payment obligation to supplement K-14 education funding. The total obligation would equal approximately \$12.4 billion, and reflects the administration's estimate of the additional funding K-14 school districts would have received in the absence of COVID-19-related reductions. Under this proposal the State will make annual payments toward this obligation beginning in fiscal year 2021-22. These payments would equal 1.5% of State general fund revenue. The 2020-21 Budget also increases the share of State general fund revenue required to be spent on K-14 school districts from 38% to 40% by fiscal year 2023-24.

- *CalSTRS/CalPERS* – The 2020-21 Budget redirects \$2.3 billion in funds previously appropriated for prefunding CalSTRS and CalPERS liabilities, and instead applies them to further reduce local educational agency contribution rates for such programs in fiscal years 2020-21 and 2021-22. This reduces CalSTRS employer rates to 16.15% in fiscal year 2020-21 and 16.02% in fiscal year 2021-22. CalPERS employer rates would be reduced to 20.7% in fiscal year 2020-21 and 22.84% in fiscal year 2021-22. See also “THE DISTRICT – District Retirement Systems” herein.
- *Federal Funds* – In addition to the CARES Act funding previously discussed, the 2020-21 Budget appropriates \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds recently awarded to the State. Of this amount, approximately \$1.5 billion will be allocated to local educational agencies in proportion to the amount of federal Title I-A funding such agencies receive, to be used for COVID-19 related costs. The remaining amount will be allocated to state-level activities.
- *Temporary Revenue Increases* – As discussed above, as part of closing the State’s projected deficit, the 2020-21 Budget provides for a temporary revenue increase of approximately \$4.3 billion in fiscal year 2020-21, of which approximately \$1.6 billion counts towards the Proposition 98 funding guarantee.

Other significant features of K-12 education funding in the 2020-21 Budget include the following:

- *Special Education* – The 2020-21 Budget increases special education base rates to \$625 per pupil, and provides \$100 million to increase funding for students with low-incidence disabilities.
- *Average Daily Attendance* – The 2020-21 Budget provides for a hold-harmless for calculating apportionments in fiscal year 2020-21. ADA will be based on the 2019-20 year, except for new charter schools commencing instruction in fiscal year 2020-21. The 2020-21 Budget also provides an exemption for local educational agencies from certain annual minimum instructional minute requirements, and includes requirements for distance learning to ensure that, in the absence of in-person instruction, students continue to receive access to quality education.
- *LCAPs* – In April of 2020, the Governor issued an executive order allowing local educational agencies to submit their LCAP for fiscal year 2020-21 in December, in lieu of the usual July 1 deadline. Recognizing that federal relief funds need to be expended on an accelerated timeline, and to ensure transparency, the 2020-21 Budget replaces the December LCAP with a Learning Continuity and Attendance Plan to be completed by September 30, 2020. The 2020-21 Budget requires the State Superintendent of Public Instruction to develop a template of this plan for use by local educational agencies which will include a description of how such agencies will provide continuity of learning during the pandemic, expenditures related to addressing the impacts of the pandemic, and how such agencies are increasing or improving services in proportion to concentration funding that is received under the LCFF.
- *Employee Protections* – The 2020-21 Budget suspends school districts’ window to layoff teachers and other non-administrative certificated staff, which typically runs from the time the budget is approved by the State Legislature to August 15. The 2020-21 Budget also suspends layoffs of classified staff working in transportation, nutrition and custodial services from July 1, 2020 through June 30, 2021.

For additional information regarding the 2020-21 Budget, see the Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). However, the information presented on such website is not incorporated herein by reference.

***Proposed Fiscal Year 2021-22 Budget.*** On January 8, 2021, the Governor released his proposed State budget for fiscal year 2021-22 (the “Proposed 2021-22 Budget”). The information below is drawn from the DOF summary of the Proposed 2021-22 Budget.

The Proposed 2021-22 Budget indicates that, since the adoption of the 2020-21 Budget, the administration’s economic forecast and revenue projections have significantly improved, driven in large part by a rebound in the stock market and an attendant growth in capital gains tax revenues. However, the Proposed 2021-22 Budget acknowledges that the risks to the revenue forecast remain higher than usual, and economic inequality has intensified since the beginning of the COVID-19 pandemic. The Proposed 2021-22 Budget acknowledges that the State is currently in the midst of a second and more serious wave of COVID-19 infections, but that federally-approved COVID-19 vaccines are arriving to assist the recovery from the pandemic.

The Proposed 2021-22 Budget indicates that the revenue forecast was finalized prior to the passage of the most recent federal stimulus bill. See also “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. Of the almost \$900 billion in federal funding that was approved, the Proposed 2021-22 Budget identifies approximately \$106 billion allocable to the State, including \$42.4 billion in direct assistance to individuals and families (including \$38.3 billion in unemployment benefits and direct payments), \$2.2 billion for COVID-19 testing, tracing and vaccine distribution, \$700 million for health and mental health services, \$50.1 billion in business and transportation support, and \$10.1 billion for education. The Governor’s May revision to the Proposed 2021-22 Budget will include a revised revenue forecast that will reflect this federal assistance. The Proposed 2021-22 Budget also acknowledges that further federal relief will be critical to assisting individuals and businesses survive and recover from the pandemic.

For fiscal year 2020-21, the Proposed 2021-22 Budget projects total general fund revenues and transfers of \$168.1 billion and expenditures of \$156 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of approximately \$22.7 billion, including \$9 billion in the traditional State reserve, \$12.5 billion in the BSA, \$747 million in the PSSSA and \$450 million in the Safety Net Reserve Fund. For fiscal year 2021-22, the Proposed 2021-22 Budget projects total general fund revenues and transfers of \$170.6 billion and authorizes expenditures of \$164.5 billion. The State is projected to end the 2021-22 fiscal year with total available general fund reserves of approximately \$22 billion, including \$2.9 billion in the traditional general fund reserve, \$15.6 billion in the BSA, \$3 billion in the PSSSA and \$450 million in the Safety Net Reserve Fund. As a result of the projected year-end balance in the PSSSA, school district reserve caps would be triggered in fiscal year 2022-23 under the provisions of SB 858 and SB 751. See also “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 2” herein.

In recognition of the need to address the various impacts of the COVID-19 pandemic, the Proposed 2021-22 Budget includes a package of measures intended to be implemented through legislative action earlier than the traditional State budget timeline. For immediate action in January, this package includes \$3 billion in direct support for workers and small businesses and \$2 billion to support the re-opening of K-12 schools (as further described herein). For early action in the spring, the package includes \$4.7 billion in instructional support for K-14 school districts, \$973 million in jobs and workforce training, \$561 million in environmental sustainability measures and \$262 million in housing and homelessness-related measures.

As a result of the expected increases in State general fund revenues, the Proposed 2021-22 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2021-22 at \$85.8 billion. This represents a year-to-year increase of \$14.9 billion over the level included in the 2020-21 Budget. The Proposed 2021-22 Budget also makes retroactive increases to the minimum funding guarantee in fiscal years 2019-20 and 2020-21 of \$1.9 billion and \$11.9 billion, respectively, due almost exclusively to increases in allocable general fund revenues in those years. As a result of these revisions, total per-pupil expenditures for K-12 education are projected to be \$18,837 in fiscal year 2020-21 and \$18,000 in fiscal year 2021-22. The year-to-year decrease reflects a significant allocation of one-time federal funding in fiscal year 2020-21. Ongoing per-pupil spending from Proposition 98 funding is \$12,648 in fiscal year 2021-22, an increase of \$1,994 from the level provided in the 2020-21 Budget.

Other significant features of K-12 education funding include the following:

- Re-opening Schools* – \$2 billion in one-time Proposition 98 funding available beginning in February, 2021 to augment resources for local educational agencies to resume safe, in-person instruction. Funding will be available on a per-pupil basis for all county schools, school districts and charter schools (with the exception of non-classroom based charter schools and independent study programs) that continue or commence in-person instruction by set dates. Specifically, all such educational agencies that continue or resume instruction (i) by February 16, for all transitional Kindergarten through 2<sup>nd</sup> grade students, disabled students, foster and homeless youth, and students without access to technology or high-speed internet, and (ii) by March 15 for all 3<sup>rd</sup> grade students, will be eligible for base grants starting at \$450 and increasing to more than \$700 per pupil for schools with higher enrollments of EL/LI students. Schools with later start dates will qualify for proportionally lower base grants, except those schools in counties with high rates of COVID-19 community spread. Schools in counties with high rates of community spread will be eligible for the full February grant amount if they re-open for instruction pursuant to State and local health guidance. Funds may be used for any purpose that supports instruction, including enhancing and expanding COVID-19 testing, personal protective equipment, improving ventilation and the safety of indoor and outdoor spaces, teacher and staff salaries for those providing and supporting in-person instruction, and social and mental health supportive services.
- Local Control Funding Formula* – \$64.5 billion in total LCFF funding, including an allocation to fund a combined COLA of 3.84%. This reflects both the 2.31% COLA that would have been due in fiscal year 2020-21, and which was suspended by the 2020-21 Budget, and a 1.5% adjustment for fiscal year 2021-22. With few exceptions, the Proposed 2021-22 Budget assumes in-person instruction in fiscal year 2021-22, and accordingly does not provide an ADA hold-harmless for purposes of calculating apportionments. However, because of the hold-harmless provided for fiscal year 2020-21 by the prior year's budgetary legislation, local educational agencies that experience enrollment declines in fiscal year 2021-22 will retain the ability to receive apportionments based on the higher of their 2019-20 or 2020-21 ADA. The Proposed 2021-22 Budget also provides an increase of \$10.2 million in ongoing Proposition 98 funding to reflect a 1.5% COLA for county offices of education.
- Categorical Programs* – An increase of \$85.7 million in ongoing Proposition 98 funding to reflect a 1.5% COLA for categorical programs which remain outside of the LCFF.
- Deferrals* – The Proposed 2021-22 Budget pays off LCFF apportionment deferrals for fiscal year 2019-20 that were provided for by the 2020-21 Budget, as well as \$7.3 billion of the LCFF deferral for fiscal year 2020-21. This leaves an ongoing deferral balance of \$3.7 billion due in fiscal year 2021-22.

- *Supplemental Payment* – The 2020-21 Budget provided for a new, multi-year payment obligation to avoid a permanent decline in K-14 education funding as a result of then-projected reductions in available revenues. The Proposed 2021-22 Budget would eliminate this supplemental payment obligation in its entirety. However, in recognition of the extraordinary needs of students and the public school system related to the COVID-19 pandemic, the Proposed 2021-22 Budget provides a one-time supplemental payment to K-14 education of \$2.3 billion.
- *Educator and Professional Development* – \$315.3 million to develop quality training in high-need areas and provide timely access to training. The Proposed 2021-22 Budget also includes \$225 million to improve the State’s teacher pipeline, including providing grants to students enrolled in teacher preparation programs, support for clinical teacher preparation programs and grants to recruit non-certificated school employees.
- *Community Schools* - \$264.9 million in one-time Proposition 98 funding to expand networks of community schools and establish new community schools, which typically integrate health, mental health and other services for students and families and provide these services directly on school campuses.
- *Learning Loss Mitigation* - \$4.6 billion in one-time Proposition 98 funding to facilitate targeted interventions by local educational agencies that focus on student achievement and well-being most affected by COVID-19 related disruptions to educational learning, including interventions with low-income families, English-learners and foster and homeless youth.
- *Federal Funds* – As a result of recent federal stimulus legislation, the Proposed 2021-22 Budget estimates that the State could receive more than \$6 billion for the Elementary and Secondary Schools Emergency Relief Fund and \$400 million for the Governor’s Emergency Education Relief Fund. These funds are expected to assist schools in reopening and remaining open for in-person instruction.

For additional information regarding the Proposed 2021-22 Budget, see the DOF website at [www.dof.ca.gov](http://www.dof.ca.gov). However, the information presented on such website is not incorporated herein by reference.

***Future Actions and Events.*** The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no 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 “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. The District 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. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES**

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

Article XIII A (“Article XIII A”) of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

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 adjusted base year value described above. Proposition 8—approved by State 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, adjusted for inflation. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on any outstanding general obligation bonds of the District.

Article XIII A requires a vote of two-thirds or more 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* property, 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 (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by fifty-five percent or more of the votes cast on the proposition, but only if certain accountability measures 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.

### **Proposition 19**

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment (“Proposition 19”), which amends Article XIII A to: (i) expand 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 wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on District revenues or the 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, local agencies 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 relevant 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 “situation.” Any such allocation made to a local agency continues as part of its allocation in future years.

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.

## **Proposition 50 and Proposition 171**

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property

to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Inter-county transfers under Proposition 171 are more restrictive than intra-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

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

Article XIII B (“Article XIII B”) of the State Constitution, 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 State 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 ADA of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 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 State 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” herein.

## **Propositions 98 and 111**

On November 8, 1988, State 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 community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (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 State Legislature to suspend this formula for a one-year period.

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 are, instead of being returned to taxpayers, 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 is automatically increased by the amount of such transfer. These additional moneys 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 can 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 State 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.

On June 5, 1990, State voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the “Traffic Congestion Relief and Spending Limitation Act of 1990” (“Proposition 111”) which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

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 State 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 are 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 minimum funding level for such districts. 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 exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for “qualified capital outlay projects” as defined by the State Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), 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. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, was recalculated beginning in fiscal year 1990-91. It was 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. There is a complex adjustment in 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) 40.9% of State general fund revenues (“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 (“Test 2”). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test (“Test 3”), which will replace 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 the State per capita personal income. Under Test 3, K-14 school districts 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 Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

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

On November 5, 1996, State voters approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the State 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 local agencies, 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 State 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 local agency 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 State 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 District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

## **Proposition 26**

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

## **Proposition 39**

On November 7, 2000, State voters approved an amendment (commonly known as “Proposition 39”) to the State Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another State-wide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1 percent of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate projected to be levied as the result of any single election would not exceed \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State legislature and approval by the Governor. See “– Article XIII A of the California Constitution” herein.

## ***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 District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District’s budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District 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 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. 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 State voters on November 2, 2010, 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 projected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% 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.

## **Proposition 30 and 55**

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 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 personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "– Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being 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 will be allocated quarterly, with 89% of such funds provided to school districts and

11% provided to community college districts. The funds will be 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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

## **Proposition 2**

On November 4, 2014, State 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 the 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 State 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 State 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 State 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 State 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 the 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 otherwise be 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 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 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 District, which has an ADA of less than 400,000, is 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 community funded school districts (also known as basic aid districts) and small school districts having fewer than 2,501 units of average daily attendance.

## **Proposition 51**

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as “Proposition 51”) is a voter initiative that was approved by State voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities.

**K-12 School Facilities.** Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional State grant funding,

up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school facilities (\$500 million) and technical education facilities (\$500 million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, school districts that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for technical education facilities. For technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

***Community College Facilities.*** Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and the State legislature will select among eligible projects as part of the annual State budget process.

The District makes no representation that it will either pursue or qualify for Proposition 51 State facilities funding.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D of the California Constitution and Propositions 98, 39, 22, 26, 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 District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## **SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

### **Introduction**

The District was formed on July 1, 1964, and is located in an area encompassing approximately 160 square miles in the County, approximately 65 miles east of Los Angeles. The District primarily serves a portion of the City of Highland, the majority of the City of San Bernardino and some unincorporated areas of the County. The District operates 49 elementary schools, 10 middle schools, a K-8 school, a middle college high school, six comprehensive high schools, an alternative education school, two continuation high schools, two community day schools, an adult education school, and three special education schools. Enrollment in the District for the 2020-21 school year is budgeted to be 48,507 students and the ADA for fiscal year 2020-21 is budgeted to be 45,615 students. The District's ADA and enrollment may be impacted by COVID-19. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein. The fiscal year 2020-21 assessed valuation of the area served by the District is \$[\_\_\_\_\_].

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 reports of the District may be obtained by contacting: San Bernardino City Unified School District, 777 North F Street, San Bernardino, CA 92410, telephone: (909) 381-1100, Attention: Superintendent. The District may impose a charge for copying, mailing and handling.

## Administration

The Board consists of seven elected members. Members are elected to serve staggered four-year terms. Elections for positions to the Board are held every two years, alternating between three and four available positions. A president is elected by members of the Board each year. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

Board Member	Office	Term Expires
Gwendolyn Dowdy-Rodgers	President	December 2024
Dr. Scott Wyatt	Vice President	December 2024
Dr. Barbara Flores	Member	December 2022
Mayra Ceballos	Member	December 2024
Dr. Margaret Hill	Member	December 2024
Danny Tillman	Member	December 2022
Abigail Rosales-Medina	Member	December 2022

The administrative staff of the District participating in the financing include Dr. Harold J. Vollkommer, interim Superintendent, Jayne Christakos, Associate Superintendent Business, Facilities, and Operations, Dr. Rachel H. Monárrez, Assistant Superintendent Continuous Improvement, and Dr. Lorraine M. Perez, Assistant Superintendent Educational Services. Brief biographies of the interim Superintendent, the Associate Superintendent Business, Facilities, and Operations, the Assistant Superintendent Continuous Improvement, and the Assistant Superintendent, Educational Services follow:

***Dr. Harold J. Vollkommer, Ed.D., Interim Superintendent.*** Dr. Vollkommer was appointed to the District as interim Superintendent on March 1, 2020. Previously he held the position of Deputy Superintendent since 2013, and held positions of Assistant Superintendent of Human Resources, Human Resources Director, Principal, Assistant Principal, and teacher. He received a Bachelor's Degree in Liberal Studies from the University of Redlands, a Master of Arts in Educational Administration from California State University, San Bernardino, and a Doctorate in Organizational Leadership from the University of La Verne.

***Jayne Christakos, Associate Superintendent Business, Facilities, and Operations.*** Ms. Christakos joined the District as Associate Superintendent Business, Facilities, and Operations in July of 2015. Immediately prior thereto, she served as the Assistant Superintendent, Business Services at Placentia-Yorba Linda Unified School District. Ms. Christakos has also served as Assistant Superintendent, Business Services and as Director, Fiscal Services, at San Jacinto Unified School District. Ms. Christakos received a Bachelor of Science in Business Administration from California State University, San Bernardino, a Master of Arts in Management from the University of Redlands, and a Chief Business Official certification from the Fiscal Crisis and Management Assistance Team and the California Association of School Business Officials.

***Dr. Rachel H. Monárrez, Assistant Superintendent Continuous Improvement:*** Dr. Monárrez joined the District in August 2016 as the Assistant Superintendent of Student Services. In July 2018, Dr. Monárrez was promoted to her current position, Assistant Superintendent of the Continuous Improvement Division. Prior to joining the District, Dr. Monárrez earned National Board Certification, held the positions of Principal, Director of English Learner Programs, Director of Special Education, and Assistant Superintendent of Educational Services. She received her Bachelor's Degree in History from the University of California Irvine, and a Master of Arts and Doctorate in Education from Claremont Graduate University.

***Dr. Lorraine M. Perez, Assistant Superintendent, Educational Services.*** Dr. Perez began serving the District in the capacity of Assistant Superintendent of Educational Services in April of 2018. Previously she served the District as the Director, Elementary Instruction and as Coordinator, Elementary Instruction. Dr. Perez has also served as Principal with Baldwin Park Unified School District. Dr. Perez received a Doctor of Education in Urban Leadership from University of Southern California, a Master of Science in Educational Administration from California State University, Fullerton, and a Bachelor of Arts in Liberal Studies from California State University, Fullerton.

## Recent Enrollment Trends

On average throughout the District, the regular education pupil-teacher ratio is approximately 24:1 in grades K-3, 33:1 in grades 4-6, 29:1 in grades 7-8, and 30:1 in grades 9-12. The following table shows a seven-year enrollment history for the District, and budgeted enrollment for fiscal year 2020-21.

**ANNUAL ENROLLMENT<sup>(1)</sup>**  
**Fiscal Years 2013-14 through 2020-21**  
**San Bernardino City Unified School District**

Year	Enrollment	Annual Change	Annual % Change
2013-14	49,889	(100)	(0.20)%
2014-15	50,242	353	0.71
2015-16	50,211	(31)	(0.06)
2016-17	49,840	(371)	(0.74)
2017-18	49,451	(389)	(0.77)
2018-19	48,936	(515)	(1.05)
2019-20	48,751	(185)	(0.38)
2020-21 <sup>(2)</sup>	48,507	(244)	(0.50)

<sup>(1)</sup> Except for fiscal year 2020-21, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to CALPADS in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Enrollment excludes charter school students. CALPADS figures exclude preschool and adult transitional students.

<sup>(2)</sup> Budgeted.

Source: San Bernardino City Unified School District.

## Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, the State's charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. Charter schools are exempt from state and local education rules and regulations, except as specified in the legislation.

The District has certain fiscal oversight and other responsibilities with respect to both independent and District-operated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. District-operated charter schools receive their funding through the District, and would be reflected in the District's audited financial statements.

The District has approved charters for 12 charter schools that are currently operating within the District (collectively, the "Charter Schools"). All of the Charter Schools are independent.

The following table shows enrollment figures for the Charter Schools for the past five fiscal years, and budgeted figures for fiscal year 2020-21.

**CHARTER SCHOOLS ENROLLMENT**  
**Fiscal Years 2015-16 through 2020-21**  
**San Bernardino City Unified School District**

<u>Fiscal Year</u>	<u>Charter Schools Enrollment</u>
2015-16	3,092
2016-17	3,312
2017-18	3,486
2018-19	3,878
2019-20	4,297
2020-21 <sup>(1)</sup>	4,783

<sup>(1)</sup> Budgeted.

Source: San Bernardino City Unified School District.

The District can make no representations regarding how many District students will transfer to charter schools in the future or back to the District from the Charter Schools, and the corresponding financial impact on the District.

**Labor Relations**

The District currently employs 3,071 full-time certificated employees and 1,359 classified employees. In addition, the District currently employs 4,546 part-time faculty and staff. District employees, except management and some part-time employees, are represented by the four bargaining units as noted below:

**LABOR RELATIONS**  
**San Bernardino City Unified School District**

<u>Labor Organization</u>	<u>Number of Employees In Bargaining Unit</u>	<u>Contract Expiration Date</u>
San Bernardino Teachers Association	2,981	June 30, 2021
California School Employees Association	2,116	June 30, 2020 <sup>(1)</sup>
Communications Workers of America	780	June 30, 2021
San Bernardino School Police Officers Association	22	June 30, 2021

<sup>(1)</sup> Employees continue to work under terms of the expired contract while a new contract is negotiated.

Source: San Bernardino City Unified School District.

## District Retirement Systems

*The information set forth below regarding the District's retirement programs, other than the information provided by the District 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 any of the District, the Municipal Advisor 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 under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

### MEMBER CONTRIBUTION RATES STRS (Defined Benefit Program)

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

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Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year

commencing July 1, 2019, the contribution rate was 10.250% for employees hired before the Implementation Date and 10.205% for employees hired after the Implementation Date. For fiscal year commencing July 1, 2020, the contribution rate will be 10.250% for employees hired before the Implementation Date and 10.205% employees hired after the Implementation Date.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES  
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>K-14 school districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

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*Source: AB 1469.*

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of \$1.117 billion to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment will be reflected in the June 30, 2020 actuarial valuation. Subsequently, the State's 2020-21 Budget redirected \$2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate is 16.15% in fiscal year 2020-21 and is projected to be 16.02% in fiscal year 2021-22. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures" herein.

The District's contributions to STRS were \$27,528,698 in fiscal year 2015-16, \$34,101,695 in fiscal year 2016-17, \$37,799,152 for fiscal year 2017-18, \$47,946,089 in fiscal year 2018-19, and \$51,026,450 for fiscal year 2019-20. The District has budgeted \$80,189,396 for its contribution to STRS for fiscal year 2020-21.

The State also contributes to STRS, currently in an amount equal to 7.828% for fiscal year 2019-20 and 8.328% for fiscal year 2020-21. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. The STRS Board approved State supplemental contribution rate for fiscal year 2020-21 reflects an increase of 0.5% of payroll, the maximum allowed under current law.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

**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 from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2019 included 1,612 public agencies and 1,319 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The employer contribution rate for fiscal year 2020-21 is 20.7%, which reflects an initial actuarially determined rate of 23.35% that was reduced by pursuant to SB 90 (discussed below) and further reduced by the State's 2020-21 Budget as a result of the redirection of funds previously appropriated pursuant to SB 90 for long-term unfunded liabilities (discussed above). The State's 2020-21 State Budget projects an employer contribution rate of 22.84% in fiscal year 2021-22. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures" herein. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2019-20 and will be 7% of such salaries in fiscal year 2020-21, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2019-20 and will be 7% in fiscal year 2020-21. See "– California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$9,691,407 in fiscal year 2015-16, \$12,173,917 in fiscal year 2016-17, \$14,445,322 in fiscal year 2017-18, \$17,538,700 in fiscal year 2018-19, and \$20,201,948 in fiscal year 2019-20. The District has budgeted \$24,098,914 for its contribution to PERS for fiscal year 2020-21.

Certain qualified employees of the District are eligible to participate in the District's PEPRA Safety School Police Plan, which is within the Safety Risk Pool operated by PERS (the "PEPRA Safety Risk Pool"). There are currently 22 school police officers who are members of District's Safety Plan. The District is currently required to contribute to PERS for the PEPRA Safety Risk Pool at an actuarially determined rate, which is 15.826% (enrolled after January 1, 2013) of eligible salary expenditures for fiscal year 2018-19 and will be 15.760% (enrolled after January 1, 2013) of eligible salary expenditures for fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 currently contribute at an actuarially determined rate of 9.00% and participants enrolled in PERS after January 1, 2013 contribute 15.25% of their respective salaries for fiscal year 2018-19, while participants enrolled prior to January 1, 2013 will contribute 9.00% and those enrolled after January 1, 2013 will contribute 15.25% for fiscal year 2019-20.

Certain qualified employees of the District are also eligible to participate in the District's Safety Plan, which is within the Safety Risk Pool operated by PERS (the "Safety Risk Pool"). The District is currently required to contribute to PERS for the Safety Risk Pool at an actuarially determined rate, which is 27.645% (enrolled prior January 1, 2013) of eligible salary expenditures for fiscal year 2018-19 and will be 28.762% (enrolled after January 1, 2013) of eligible salary expenditures for fiscal year 2018-19, and will be 28.762% (enrolled prior January 1, 2013) of eligible salary expenditures for fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 currently contribute at an actuarially determined rate of 9.00% and participants enrolled in PERS after January 1, 2013 contribute 15.25% of their respective salaries for fiscal year 2018-19, while participants enrolled prior to January 1, 2013 will contribute 9.00% and those enrolled after January 1, 2013 will contribute 15.25% for fiscal year 2019-20.

The District's contributions to PERS for the Safety Risk Pool were \$934,869 in fiscal year 2015-16, \$790,628 in fiscal year 2016-17, \$703,070 in fiscal year 2017-18, \$499,559 in fiscal year 2018-19, and \$559,264 in fiscal year 2019-20. The District has budgeted \$831,722 for its contribution to PERS for the Safety Risk Pool in fiscal year 2020-21.

Pursuant to SB 90, the State Legislature appropriated \$144 million for fiscal year 2019-20 and \$100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated \$660 million to be applied toward certain unfunded liabilities for K-14 school district employers. As a result of the payments made by the State pursuant to SB 90, the employer contribution rate for fiscal year 2019-20 was 19.721%. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures" herein.

**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 both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

**FUNDED STATUS**  
**STRS (Defined Benefit Program) and PERS (Schools Pool)**  
**(Dollar Amounts in Millions) <sup>(1)</sup>**  
**Fiscal Years 2010-11 through 2018-19**

<b>STRS</b>					
<b>Fiscal Year</b>	<b>Accrued Liability</b>	<b>Value of Trust Assets (MVA) <sup>(2)</sup></b>	<b>Unfunded Liability (MVA) <sup>(2)</sup></b>	<b>Value of Trust Assets (AVA) <sup>(3)</sup></b>	<b>Unfunded Liability (AVA) <sup>(3)</sup></b>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19 <sup>(5)</sup>	310,719	225,466	102,636	205,016	105,703

<b>PERS</b>					
<b>Fiscal Year</b>	<b>Accrued Liability</b>	<b>Value of Trust Assets (MVA)</b>	<b>Unfunded Liability (MVA)</b>	<b>Value of Trust Assets (AVA) <sup>(3)</sup></b>	<b>Unfunded Liability (AVA) <sup>(3)</sup></b>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2014-15	73,325	56,814	16,511	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2015-16	77,544	55,785	21,759	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2016-17	84,416	60,865	23,551	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2017-18	92,071	64,846	27,225	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2018-19 <sup>(5)</sup>	99,528	68,177	31,351	-- <sup>(4)</sup>	-- <sup>(4)</sup>

<b>PERS – Safety Risk Pool</b>					
<b>Fiscal Year</b>	<b>Accrued Liability</b>	<b>Share of Pool's Market Value of Assets</b>	<b>Plan's Share of Pool's Unfunded Liability</b>	<b>Value of Trust Assets (AVA) <sup>(3)</sup></b>	<b>Unfunded Liability (AVA) <sup>(3)</sup></b>
2010-11	\$7.132	\$4.315	\$2.817	-- <sup>(6)</sup>	-- <sup>(6)</sup>
2011-12	7.982	4.755	3.227	-- <sup>(6)</sup>	-- <sup>(6)</sup>
2012-13	8.464	5.492	2.972	-- <sup>(6)</sup>	-- <sup>(6)</sup>
2013-14	10.170	7.519	2.651	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2014-15	11.775	8.842	2.933	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2015-16	13.744	10.117	3.627	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2016-17	16.780	13.387	3.392	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2017-18	19.003	15.192	3.812	-- <sup>(4)</sup>	-- <sup>(4)</sup>

<b>PERS – Safety Risk Pool (PEPRA)</b>					
<b>Fiscal Year</b>	<b>Accrued Liability</b>	<b>Share of Pool's Market Value of Assets</b>	<b>Plan's Share of Pool's Unfunded Liability</b>	<b>Value of Trust Assets (AVA) <sup>(3)</sup></b>	<b>Unfunded Liability (AVA) <sup>(3)</sup></b>
2010-11	-- <sup>(6)</sup>	-- <sup>(6)</sup>	-- <sup>(6)</sup>	-- <sup>(6)</sup>	-- <sup>(6)</sup>
2011-12	-- <sup>(6)</sup>	-- <sup>(6)</sup>	-- <sup>(6)</sup>	-- <sup>(6)</sup>	-- <sup>(6)</sup>
2012-13	-- <sup>(6)</sup>	-- <sup>(6)</sup>	-- <sup>(6)</sup>	-- <sup>(6)</sup>	-- <sup>(6)</sup>
2013-14	\$0.018	\$0.019	(\$0.001)	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2014-15	0.069	0.066	0.003	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2015-16	0.172	0.156	0.016	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2016-17	0.294	0.278	0.017	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2017-18	0.486	0.444	0.043	-- <sup>(4)</sup>	-- <sup>(4)</sup>

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

<sup>(2)</sup> Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

<sup>(3)</sup> Reflects actuarial value of assets.

<sup>(4)</sup> Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

<sup>(5)</sup> On April 21, 2020, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2020-21 and released certain actuarial information to be incorporated into the June 30, 2019 actuarial valuation to be released in the latter half of 2020.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience

Analysis (spanning from July 1, 2010, through June 30, 2015) (the “2017 Experience Analysis”), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member’s increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the “2016 STRS Actuarial Valuation”). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the “2017 STRS Actuarial Valuation”), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the “2020 Experience Analysis”), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the “2019 STRS Actuarial Valuation”). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both employees hire before the Implementation Date and after the Implementation Date to better reflect the anticipated impact of years of service on retirements. The 2019 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed, additional State contributions, and actuarial asset gains recognized from the current and prior years, the 2019 STRS Actuarial Valuation reports that the unfunded actuarial obligation decreased by \$1.5 billion since the 2018 STRS Actuarial Valuation and the funded ratio increased by 2.0% to 66.0% over such time period.

According to the 2019 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption and includes the \$1.117 billion State contribution made in July 2019 pursuant to SB 90.

The actuary for the STRS Defined Benefit Program notes in the 2019 STRS Actuarial Report that, since such report is dated as of June 30, 2019, the significant declines in the investment markets that have occurred in the first half the 2020 calendar year are not directly reflected in the 2019 STRS Actuarial Report. The actuary notes that such declines will almost certainly impact the future of the STRS Defined Benefit Program funding, and that, all things being equal, it is expected that the actuarial valuation for the fiscal year ending June 30, 2020 will show a greater increase in the projected State contribution rate (and possibly the employer rate) and a possible decline in the funded ratio. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

In recent years, the PERS Board of Administration (the “PERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative

contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 21, 2020, the PERS Board established the employer contribution rates for 2020-21 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2019, ahead of its release date in the latter half of 2020. From June 30, 2018 to June 30, 2019 the funded status for the Schools Pool decreased by 1.9% (from 70.4% to 68.5%); mainly due to the reduction in the discount rate from 7.25% to 7.00% and investment return in 2018-19 being lower than expected. The funded status as of June 30, 2019 does not reflect the State's additional payment of \$660 million that was made pursuant to SB 90, since PERS received the payment in July 2019. PERS attributes the decline in the funded status over the last five years to recent investment losses in excess of investment gains, adoption of new assumptions, both demographic and economic, lowering of the discount rate, and negative amortization. Assuming all actuarial assumptions are realized, including investment return of 7% in fiscal year 2019-20, that no changes to assumptions, methods of benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the contribution rate was projected to increase annually, resulting in a projected 26.2% employer contribution rate for fiscal year 2026-27. As of the April 21, 2020, PERS reported that the year to date return for the 2019-20 fiscal year was well below the 7% assumed return.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. 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 Employees' 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 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 (previously 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 (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), 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.

### **Public Agency Retirement System**

Under federal law, all public sector employees who are not members of an existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to use the Public Agency Retirement System ("PARS"), a defined contribution pension plan, as its alternative plan. The District contributes 1% of an employee's gross earnings, and an employee is required to contribute 6.5% of his or her gross earnings, to PARS. The District contributed \$94,560 and \$96,971 to PARS in fiscal years 2017-18 and 2018-19, respectively. The District projects a contribution of \$75,687 to PARS in fiscal year 2019-20, and has budgeted a contribution of \$70,595 in fiscal year 2020-21.

### **Other Post-Employment Benefits**

***Plan Description.*** The postemployment benefit plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits (the "Benefits") to eligible retirees and their spouses. Membership of the Plan currently consists of 295 retirees and beneficiaries currently receiving Benefits, and 4,283 active Plan members.

***Funding Policy.*** The contribution requirements of the Plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. The District contributed \$4,360,308, \$3,195,139, \$3,322,945, and \$3,498,325 to the Plan in fiscal years 2016-17 through 2019-20, respectively, all of which was used for current premiums. For fiscal year 2020-21, the District currently projects a contribution of \$4,326,772 to the Plan, all of which is expected to be used for current premiums.

The District has established an internal service fund to begin funding its TOL (as defined herein) with respect to the Benefits. Such fund has not been irrevocably pledged to the payment of the Benefits. Currently, \$1,428,103 is on deposit in the internal service fund, and the District has budgeted a contribution of \$5,243,267 to the fund in fiscal year 2020-21.

***Accrued Liability.*** The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB

Statement No. 74”) and *Governmental Accounting Standards Board Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB Statement No. 75”), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Program benefits. GASB Statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The most recent actuarial study was dated July 9, 2019 (the “Study”). The Study concluded that, using a “roll-forward” technique for the Total OPEB Liability (the “TOL”) based on an actuarial valuation dated June 30, 2017, as of a June 30, 2018 measurement date, the TOL with respect to such Program benefits, was \$88,120,148 and the Net OPEB Liability (“NOL”) was \$88,046,789. As of June 30, 2018, the District had a Fiduciary Net Position (“FNP”) of \$73,359. The TOL is the amount of the actuarial present value of projected benefits payments attributable to employees’ past service based on the actuarial cost method used. The FNP are the net assets (liability) of the qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the FNP.

***GASB Statement Nos. 74 and 75.*** On June 2, 2015, GASB approved Statements Nos. 74 and 75 with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB No. 74 replaces GASB Statements No. 43 and 57 and Statement No. 75 replaces GASB Statement No. 45.

Most of GASB Statement No. 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, the NOL, to be recognized on the balance sheet of the plan and the participating employer’s financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan’s net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB Statement No. 74, the measurement date must be the same as the plan’s fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the total OPEB liability (the TOL), if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future FNP is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB Statement No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District’s financial statements for fiscal year 2016-17. GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB Statement No. 75 in their financial statements for fiscal year 2017-18. The District first recognized GASB Statement No. 74 and GASB Statement No. 75 in their financial statements for fiscal year 2017-18.

## **Risk Management**

***Property and Liability.*** The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To mitigate this potential loss, the District participates in the Southern California Schools Risk Management (“SCSRM”) public risk entity pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

***Workers’ Compensation.*** The District is self-funded for workers’ compensation, with excess coverage provided by the Schools Excess Liability Fund (“SELF”) public entity risk pool.

***Employee Medical Benefits.*** The District contracts with Kaiser and Health Net to provide employee medical and surgical benefits, and Delta Care and Met Life for dental benefits. Additional dental benefits and basic life insurance benefits are provided through the Southern California Schools Employee Benefits Association (“SCSEBA”) public entity risk pool.

***Participation in Public Entity Risk Pools.*** The District is a member of the SCSRM, SELF and SCEBA risk pools, which are not component units of the District for financial reporting purposes, and it pays an annual premium to each such entity for the coverage provided. During fiscal year 2019-20, the District made payments of \$3,461,589, \$489,405, and \$301,316 to SCSRM, SCSEBA and SELF, respectively. For fiscal year 2020-21, the District projects payments of \$[\_\_\_\_], \$[\_\_\_\_] and \$[\_\_\_\_] to SCSRM, SELF and SCEBA, respectively. See “APPENDIX B – 2019-20 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12 – Risk Management,” and “Note 15 – Participation in Public Entity Risk Pools,” attached hereto for further information.

## **Ad Valorem Property Taxation**

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as County, city, and special district property taxes. Assessed valuations are the same for both the District and the County’s taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the “unsecured roll.” Unsecured property comprises certain property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County’s taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment, plus any additional amount determined by the County Treasurer (the “Treasurer”). After the second installment of taxes on the secured roll is delinquent, the Treasurer will collect a cost of \$10 for preparing the delinquent tax records and giving notice of the delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If

taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of the July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid, are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The Treasurer has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "TAX BASE FOR REPAYMENT OF BONDS – Tax Levies, Collections and Delinquencies" herein.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situated" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including K-14 school districts (as defined herein), share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

#### **Assessed Valuations**

Property within the District has a total assessed valuation for fiscal year 2020-21 is \$[\_\_\_\_\_]. The table on the following page shows the assessed valuation for the District for the past 10 fiscal years.

#### **ASSESSED VALUATION Fiscal Years 2010-11 through 2020-21 San Bernardino City Unified School District**

	<u><b>Local Secured</b></u>	<u><b>Utility</b></u>	<u><b>Unsecured</b></u>	<u><b>Total</b></u>
2011-12	\$9,988,348,298	\$1,816,892	\$788,338,472	\$10,778,503,662
2012-13	10,054,929,671	1,314,966	774,316,635	10,830,561,272
2013-14	10,406,934,556	1,314,459	888,685,140	11,296,934,155
2014-15	11,109,942,118	1,218,222	953,676,315	12,064,836,655
2015-16	11,834,208,698	1,222,294	953,636,990	12,789,067,982
2016-17	12,718,016,813	1,172,596	896,410,192	13,615,599,601
2017-18	13,555,461,629	1,241,180	934,534,433	14,491,237,242
2018-19	14,550,899,004	1,207,716	966,979,516	15,519,086,236
2019-20	16,095,826,118	1,767,552	1,048,245,639	17,145,839,309
2020-21				

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as a general market decline in real property values, disruption in financial markets that may reduce availability of financing for purchasers of

property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as an earthquake, fire, flood, drought, outbreak of disease or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See “THE BONDS – Security and Sources of Payment” and “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

***Appeals and Adjustments of Assessed Valuations.*** Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the “SBE”), with the appropriate county board of equalization or assessment appeals board. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, drought, fire or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the State Constitution” herein.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, actions by county assessors, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

***Assembly Bill 102.*** On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructures the functions of the SBE and creates two new agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes; however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

## **Alternative Method of Tax Apportionment – “Teeter Plan”**

Certain counties in the State operate under a statutory program entitled the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code. Each participating local agency levying property taxes, including school districts, receives from its county the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuation or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuation from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose secured property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the secured tax levy for general obligation bonds of a local agency, varies by county.

The County Board has approved the implementation of the Teeter Plan. Under the Teeter Plan, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County includes the District’s general purpose secured property tax levy and the secured *ad valorem* property tax levy for the District’s general obligation bonds under the Teeter Plan.

Pursuant to Revenue and Taxation Code Section 4985.2, the Treasurer may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer’s control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

In addition, on May 6, 2020, the Governor signed Executive Order N-61-20 (“Order N-61-20”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent, subject to certain conditions set forth in in Order N-61-20. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District’s share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District’s or the County’s control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other outbreak of disease or natural or manmade disaster. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19.” However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

## District Debt Structure

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

<b>Governmental Activities</b>	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2020</b>
General Obligation Bonds	\$277,586,655	\$4,850,196	\$10,715,000	\$271,721,851
Premium on Issuance	18,197,633	--	1,619,523	16,578,110
Certificates of Participation	104,995,000	--	8,480,000	96,515,000
Discount on Issuance	(266,287)	--	(39,944)	(226,343)
Premium on Issuance	13,309,631	--	700,507	12,609,124
Capital Lease Obligations	39,148	--	39,148	--
Compensated absences	3,749,864	2,125,640	--	5,875,504
Claims Liability	21,267,381	6,131,795	3,589,946	23,809,230
SELF Assessment	1,205,334	--	1,205,334	--
<b>TOTAL</b>	<b>\$440,084,359</b>	<b>\$13,107,631</b>	<b>\$26,309,514</b>	<b>\$426,882,476</b>

Source: San Bernardino City Unified School District.

### **General Obligation Bonds.**

**1999 Authorization.** The District received authorization at an election held on April 27, 1999, at which the requisite vote of at 55% of the persons voting on the proposition voted to authorize the issuance of \$50,000,000 principal amount of general obligation bonds of the District (the "1999 Authorization"). On September 9, 1999, the District concurrently issued \$27,700,000 aggregate principal amount of its Election of 1999 General Obligation Bonds, Series A (the "1999 Series A Bonds") and \$7,300,000 aggregate principal amount of its Election of 1999 General Obligation Capital Appreciation Bonds, Series B (the "1999 Series B Bonds"). On May 14, 2003, the District issued \$15,000,000 aggregate principal amount of its Election of 1999 General Obligation Bonds, Series C (the "1999 Series C Bonds"). On September 29, 2004, the District issued \$37,055,000 aggregate principal amount of its 2004 General Obligation Refunding Bonds (the "2004 Refunding Bonds"), the proceeds of which were used to refund certain of the then-outstanding 1999 Series A Bonds and 1999 Series C Bonds.

**2004 Authorization.** The District received authorization at an election held on March 2, 2004, at which the requisite vote of at least 55% of the persons voting on the proposition voted to authorize the issuance of \$140,000,000 principal amount of general obligation bonds of the District (the "2004 Authorization"). On September 29, 2004, the District issued \$44,999,497.70 aggregate principal amount of its Election of 2004 General Obligation Bonds, Series A (the "2004 Series A Bonds"). On May 18, 2006, the District issued \$67,999,967.45 aggregate principal amount of its Election of 2004 General Obligation Bonds, Series B (the "2004 Series B Bonds"). On March 14, 2007, the District issued \$9,997,216.65 aggregate principal amount of its 2004 Series C Bonds. On March 17, 2011, the District concurrently issued \$11,525,419.10 aggregate principal amount of its General Obligation Bonds, 2004 Series D (the "2004 Series D Bonds") and \$5,477,433.60 aggregate principal amount of its Taxable General Obligation Bonds, 2004 Series E (the "2004 Series E Bonds"). On June 12, 2013, the District issued \$86,000,000 aggregate principal amount of its 2013 Refunding Bonds, the proceeds of which were used to advance refund certain of the then-outstanding 2004 Series A Bonds, 2004 Series B Bonds and 2004 Refunding Bonds. On August 7, 2014, the District issued \$24,705,000 aggregate principal amount of its 2014 General Obligation Refunding Bonds (the "2014 Refunding Bonds"), the proceeds of which were used to currently refund certain of the then-outstanding 2004 Series A Bonds and the 2004 Refunding Bonds. On September 24, 2020, the District issued \$13,250,000 aggregate principal amount of its 2020 General Obligation

Refunding Bonds, Series A (Federally Tax-Exempt) (the “2020 Series A Refunding Bonds”), the proceeds of which were used to currently refund the outstanding 2004 Series C Bonds.

2012 Authorization. Pursuant to the 2012 Authorization, the District received authorization at an election held on November 6, 2012, by an affirmative vote of at least 55% of the persons voting on the proposition to authorize the issuance of \$250,000,000 principal amount of general obligation bonds of the District. On June 12, 2013, the District concurrently issued \$30,150,000 aggregate principal amount of its 2012 Series A Bonds and \$12,515,000 aggregate principal amount of its 2012 Series B Bonds. On July 15, 2015, the District issued \$32,495,000 aggregate principal amount of its Election of 2012 General Obligation Bonds, Series C (the “2012 Series C Bonds”). On October 18, 2017, the District concurrently issued \$31,550,000 aggregate principal amount of its Election of 2012 General Obligation Bonds, Series D (Tax Exempt) (the “2012 Series D Bonds”), and \$21,085,000 aggregate principal amount of its Election of 2012 General Obligation Bonds, Series E (Federally Taxable) (the “2012 Series E Bonds”). On September 24, 2020, the District concurrently issued \$35,000,000 aggregate principal amount of its Election of 2012 General Obligation Bonds, Series F (Federally Tax-Exempt) (the “2012 Series F Bonds”), and \$20,185,000 aggregate principal amount of its Election of 2012 General Obligation Bonds, Series G (Federally Taxable) (the “2012 Series G Bonds”). \$67,020,000 of the 2012 Authorization remains unissued. On September 24, 2020, the District issued \$74,315,000 aggregate principal amount of its 2020 General Obligation Refunding Bonds, Series B (Federally Taxable) (the “2020 Series B Refunding Bonds”), the proceeds of which were used to advance refund the outstanding 2012 Series A Bonds, certain of the outstanding 2012 Series B Bonds, and certain of the outstanding 2013 Refunding Bonds.

The tables on the following pages show the annual debt service payments for the District’s outstanding general obligation bonds pursuant to the 1999 Authorization, 2004 Authorization and 2012 Authorization, assuming no optional redemptions are made.

**OUTSTANDING GENERAL OBLIGATION BONDS ANNUAL DEBT SERVICE – 1999 AND 2004 AUTHORIZATIONS**  
**San Bernardino City Unified School District**

Year Ending <u>August 1</u>	1999 Series C <u>Bonds</u>	2004 Series A <u>Bonds</u>	2004 Series B <u>Bonds</u>	2004 Series D <u>Bonds</u>	2004 Series E <u>Bonds</u>	2013 Refunding <u>Bonds</u>	2014 Refunding <u>Bonds</u>	2020 Series A Refunding <u>Bonds</u>	2020 Series B Refunding <u>Bonds</u>	<u>Total</u>
2021	\$1,755,000.00	--	--	--	--	\$8,776,000.00	\$2,434,500.00	\$307,047.97	\$2,768,372.89	\$16,040,920.86
2022	1,880,000.00	--	--	--	--	9,017,000.00	2,490,000.00	360,056.26	2,722,907.10	16,469,963.36
2023	2,005,000.00	--	--	--	--	9,276,250.00	2,541,250.00	360,056.26	2,718,993.06	16,901,549.32
2024	2,140,000.00	--	--	--	--	9,541,500.00	2,602,500.00	360,056.26	3,817,905.06	18,461,961.32
2025	4,880,000.00	--	--	--	--	--	1,340,500.00	360,056.26	10,718,206.66	17,298,762.92
2026	5,035,000.00	--	--	--	--	--	1,391,000.00	360,056.26	11,098,100.76	17,884,157.02
2027	5,220,000.00	--	--	--	--	--	1,441,250.00	360,056.26	11,483,129.56	18,504,435.82
2028	--	--	--	--	--	--	1,491,000.00	360,056.26	11,881,727.10	13,732,783.36
2029	--	\$3,910,000.00	--	--	--	--	--	4,595,056.26	2,820,018.80	11,325,075.06
2030	--	--	\$11,700,000.00	--	--	--	--	217,743.76	2,940,593.00	14,858,336.76
2031	--	--	--	--	--	--	--	9,232,743.76	3,075,451.40	12,308,195.16
2032	--	--	--	--	\$11,520,000.00	--	--	--	3,209,316.60	14,729,316.60
2033	--	--	--	--	11,700,000.00	--	--	--	3,346,236.00	15,046,236.00
2034	--	--	--	--	12,050,000.00	--	--	--	3,496,457.90	15,546,457.90
2035	--	--	--	\$7,000,000.00	5,365,000.00	--	--	--	3,644,520.40	16,009,520.40
2036	--	--	--	12,755,000.00	--	--	--	--	3,808,333.40	16,563,333.40
2037	--	--	--	13,130,000.00	--	--	--	--	3,970,205.30	17,100,205.30
2038	--	--	--	13,515,000.00	--	--	--	--	--	13,515,000.00
2039	--	--	--	13,895,000.00	--	--	--	--	--	13,895,000.00
2040	--	--	--	14,295,000.00	--	--	--	--	--	14,295,000.00
2041	--	--	--	14,725,000.00	--	--	--	--	--	14,725,000.00
2042	--	--	--	1,995,000.00	--	--	--	--	--	1,995,000.00
Total	<u>\$22,915,000.00</u>	<u>\$3,910,000.00</u>	<u>\$11,700,000.00</u>	<u>\$91,310,000.00</u>	<u>\$40,635,000.00</u>	<u>\$36,610,750.00</u>	<u>\$15,732,000.00</u>	<u>\$16,872,985.57</u>	<u>\$87,520,474.99</u>	<u>\$327,206,210.56</u>

*Source: San Bernardino City Unified School District.*

**OUTSTANDING GENERAL OBLIGATION BONDS ANNUAL DEBT SERVICE – ALL AUTHORIZATIONS**  
**San Bernardino City Unified School District**

Year Ending <u>August 1</u>	1999 and 2004 <u>Authorizations</u>	2012 Series B <u>Bonds</u>	2012 Series C <u>Bonds</u>	2012 Series D <u>Bonds</u>	2012 Series E <u>Bonds</u>	2012 Series F <u>Bonds</u>	2012 Series G <u>Bonds</u>	<u>Total</u>
2021	\$16,040,920.86	\$986,432.00	\$1,407,981.26	\$1,889,512.50	\$2,104,100.00	\$895,416.67	\$693,592.29	\$24,017,955.58
2022	16,469,963.36	1,080,091.00	1,407,981.26	1,899,312.50	1,065,700.00	1,050,000.00	1,908,860.96	24,881,909.08
2023	16,901,549.32	1,172,638.00	1,457,981.26	1,985,462.50	1,101,700.00	1,050,000.00	1,238,594.86	24,907,925.94
2024	18,461,961.32	--	1,516,481.26	2,053,312.50	1,140,700.00	1,050,000.00	651,855.26	24,874,310.34
2025	17,298,762.92	--	1,575,981.26	1,288,312.50	992,500.00	1,050,000.00	1,124,320.26	23,329,876.94
2026	17,884,157.02	--	1,637,231.26	1,345,362.50	1,024,500.00	1,050,000.00	1,190,881.26	24,132,132.04
2027	18,504,435.82	--	1,704,981.26	1,398,862.50	1,064,700.00	1,050,000.00	1,264,593.26	24,987,572.84
2028	13,732,783.36	--	1,774,825.00	1,448,862.50	1,097,700.00	1,050,000.00	1,339,893.40	20,444,064.26
2029	11,325,075.06	--	1,846,156.26	1,505,362.50	1,148,950.00	1,050,000.00	1,410,568.90	18,286,112.72
2030	14,858,336.76	--	1,919,006.26	1,557,862.50	1,191,450.00	1,050,000.00	1,493,395.60	22,070,051.12
2031	12,308,195.16	--	1,998,706.26	1,606,362.50	1,235,450.00	1,050,000.00	1,577,866.20	19,776,580.12
2032	14,729,316.60	--	2,082,606.26	1,670,862.50	1,275,700.00	1,050,000.00	1,669,296.60	22,477,781.96
2033	15,046,236.00	--	2,161,156.26	1,736,562.50	1,327,200.00	1,050,000.00	1,756,648.60	23,077,803.36
2034	15,546,457.90	--	2,244,406.26	1,799,562.50	1,387,800.00	1,050,000.00	1,849,682.20	23,877,908.86
2035	16,009,520.40	--	2,331,906.26	1,869,862.50	1,439,600.00	1,050,000.00	1,943,729.20	24,644,618.36
2036	16,563,333.40	--	2,429,806.26	1,942,162.50	1,492,800.00	1,050,000.00	2,044,963.00	25,523,065.16
2037	17,100,205.30	--	2,525,131.26	2,024,818.76	1,547,200.00	1,050,000.00	2,147,098.80	26,394,454.12
2038	13,515,000.00	--	7,072,631.26	2,688,725.00	1,007,600.00	1,050,000.00	--	25,333,956.26
2039	13,895,000.00	--	7,354,731.26	2,790,600.00	1,047,600.00	1,050,000.00	--	26,137,931.26
2040	14,295,000.00	--	7,498,487.50	2,943,200.00	1,104,800.00	1,050,000.00	--	26,891,487.50
2041	14,725,000.00	--	--	5,481,200.00	2,063,400.00	5,145,000.00	--	27,414,600.00
2042	1,995,000.00	--	--	5,688,800.00	2,137,200.00	5,322,150.00	--	15,143,150.00
2043	--	--	--	--	--	13,780,300.00	--	13,780,300.00
2044	--	--	--	--	--	13,930,750.00	--	13,930,750.00
Total	<u>\$327,206,210.56</u>	<u>\$3,239,161.00</u>	<u>\$53,948,175.18</u>	<u>\$48,614,943.76</u>	<u>\$28,998,350.00</u>	<u>\$59,023,616.67</u>	<u>\$25,305,840.65</u>	<u>\$546,336,297.82</u>

Source: San Bernardino City Unified School District.

**Certificates of Participation.** On March 24, 2011, the District executed and delivered \$53,080,000 of its San Bernardino City Unified School District Taxable Certificates of Participation, 2011 Series A (Direct Subsidy Qualified School Construction Bonds) (the “2011 Certificates”), to finance the construction and improvement of various school facilities of the District. The 2011 Certificates were designated as “Qualified School Construction Bonds,” pursuant to Section 54F of the Internal Revenue Code of 1986, as amended. The District expects to receive, on or about August 1 and February 1 of each year (each a “Certificate Payment Date”), a cash subsidy payment (each a “Subsidy Payment”) from the United States Treasury equal to the lesser of the interest that would have been payable with respect to the 2011 Certificates on or about each Certificate Payment Date or the tax credit rate published by the United States Treasury on the date of sale of the 2011 Certificates. Proceeds from the Series G Bonds are expected to be utilized to make certain regularly scheduled lease payments with respect to the 2011 Certificates as the same become due, as described further in the table below.

The following table shows all future semi-annual lease payments due with respect to the 2011 Certificates, without regard to the Subsidy Payments expected to be received from the United States Treasury.

**TAXABLE CERTIFICATES OF PARTICIPATION  
2011 SERIES A (DIRECT SUBSIDY QUALIFIED SCHOOL CONSTRUCTION BONDS)  
SEMI-ANNUAL LEASE PAYMENTS  
San Bernardino City Unified School District<sup>(1)</sup>**

<u>Date</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
August 1, 2021 <sup>(2)</sup>	--	\$1,258,812.13	\$1,258,812.13	--
February 1, 2022 <sup>(3)</sup>	\$5,865,000.00	1,258,812.13	7,123,812.13	\$8,382,624.26
August 1, 2022 <sup>(3)</sup>	--	1,027,056.65	1,027,056.65	--
February 1, 2023 <sup>(3)</sup>	6,015,000.00	1,027,056.65	7,042,056.65	8,069,113.30
August 1, 2023 <sup>(3)</sup>	--	784,862.68	784,862.68	--
February 1, 2024 <sup>(3)</sup>	6,185,000.00	784,862.68	6,969,862.68	7,754,725.36
August 1, 2024	--	532,731.15	532,731.15	--
February 1, 2025	6,360,000.00	532,731.15	6,892,731.15	7,425,462.30
August 1, 2025	--	270,285.75	270,285.75	--
February 1, 2026	<u>6,550,000.00</u>	<u>270,285.75</u>	<u>6,820,285.75</u>	<u>7,090,571.50</u>
<b>Total</b>	<b><u>\$30,975,000.00</u></b>	<b><u>\$9,226,807.22</u></b>	<b><u>\$40,201,807.22</u></b>	<b><u>\$38,722,496.72</u></b>

<sup>(1)</sup> Reflects gross interest payments exclusive of the Subsidy Payments. The Subsidy Payments do not constitute the full faith and credit guarantee of the United States Government, but are required to be paid by the United States Treasury. However, the Subsidy Payments are subject to reduction (the “Sequestration Reduction”) pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 5.9% through the end of the current federal fiscal year (September 30, 2020). In the absence of action by the United States Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years.

<sup>(2)</sup> The District will use the proceeds of the 2012 Series E Bonds to pay the regularly scheduled lease payments with respect to the 2011 Certificates on August 1, 2021.

<sup>(3)</sup> The District will use the proceeds of the 2012 Series G Bonds to pay the regularly scheduled lease payments with respect to the 2011 Certificates from February 1, 2022 through February 1, 2024.

Source: San Bernardino City Unified School District.

On June 27, 2019, the District executed and delivered \$62,705,000 of its San Bernardino City Unified School District Certificates of Participation (2019 School Financing Project) (the “2019 Certificates”) to finance capital improvements to District sites and facilities.

The following table shows all future semi-annual lease payments due with respect to the 2019 Certificates.

**CERTIFICATES OF PARTICIPATION  
(2019 SCHOOL FINANCING PROJECT)  
SEMI-ANNUAL LEASE PAYMENTS  
San Bernardino City Unified School District**

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Payments</u>	<u>Annual Payments</u>
10/1/2021	\$750,000.00	\$1,475,625.00	\$2,225,625.00	\$3,701,250.00
4/1/2022	--	1,456,875.00	1,456,875.00	--
10/1/2022	1,000,000.00	1,456,875.00	2,456,875.00	3,913,750.00
4/1/2023	--	1,431,875.00	1,431,875.00	--
10/1/2023	1,250,000.00	1,431,875.00	2,681,875.00	4,113,750.00
4/1/2024	--	1,400,625.00	1,400,625.00	--
10/1/2024	1,525,000.00	1,400,625.00	2,925,625.00	4,326,250.00
4/1/2025	--	1,362,500.00	1,362,500.00	--
10/1/2025	1,810,000.00	1,362,500.00	3,172,500.00	4,535,000.00
4/1/2026	--	1,317,250.00	1,317,250.00	--
10/1/2026	2,115,000.00	1,317,250.00	3,432,250.00	4,749,500.00
4/1/2027	--	1,264,375.00	1,264,375.00	--
10/1/2027	2,425,000.00	1,264,375.00	3,689,375.00	4,953,750.00
4/1/2028	--	1,203,750.00	1,203,750.00	--
10/1/2028	2,765,000.00	1,203,750.00	3,968,750.00	5,172,500.00
4/1/2029	--	1,134,625.00	1,134,625.00	--
10/1/2029	3,065,000.00	1,134,625.00	4,199,625.00	5,334,250.00
4/1/2030	--	1,058,000.00	1,058,000.00	--
10/1/2030	3,345,000.00	1,058,000.00	4,403,000.00	5,461,000.00
4/1/2031	--	974,375.00	974,375.00	--
10/1/2031	3,735,000.00	974,375.00	4,709,375.00	5,683,750.00
4/1/2032	--	881,000.00	881,000.00	--
10/1/2032	4,135,000.00	881,000.00	5,016,000.00	5,897,000.00
4/1/2033	--	777,625.00	777,625.00	--
10/1/2033	4,100,000.00	777,625.00	4,877,625.00	5,655,250.00
4/1/2034	--	675,125.00	675,125.00	--
10/1/2034	4,500,000.00	675,125.00	5,175,125.00	5,850,250.00
4/1/2035	--	562,625.00	562,625.00	--
10/1/2035	4,935,000.00	562,625.00	5,497,625.00	6,060,250.00
4/1/2036	--	439,250.00	439,250.00	--
10/1/2036	5,395,000.00	439,250.00	5,834,250.00	6,273,500.00
4/1/2037	--	304,375.00	304,375.00	--
10/1/2037	5,880,000.00	304,375.00	6,184,375.00	6,488,750.00
4/1/2038	--	157,375.00	157,375.00	--
10/1/2038	<u>6,295,000.00</u>	<u>157,375.00</u>	<u>6,452,375.00</u>	<u>6,609,750.00</u>
<b>Total</b>	\$59,025,000.00	\$34,278,875.00	\$93,303,875.00	\$94,779,500.00

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Source: San Bernardino City Unified School District.

**Capital Leases.** The District has entered into agreements to lease various pieces of equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on capital lease agreements with options to purchase as of June 30, 2020 is summarized below:

**ANNUAL LEASE PAYMENTS**  
**Capital Leases**  
**San Bernardino City Unified School District**

Year Ending <u>June 30</u>	Lease <u>Payments</u>
Less: Amount Representing Interest	\$
Present Value of Minimum Lease Payments	<u>\$</u>

*Source: San Bernardino City Unified School District.*

**TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Notes is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Notes is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Notes is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Notes to assure that interest on the Notes will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The District has covenanted to comply with all such requirements.

The amount by which a Note Owner's original basis for determining loss on sale or exchange in the applicable Note (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Note premium, which must be amortized under Section 171 of the Code; such amortizable Note premium reduces the Note Owner's basis in the applicable Note (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Note premium may result in a Note Owner realizing a taxable gain when a Note is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Note to the Owner. Purchasers of the Notes should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Note premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Notes will be selected for audit by the IRS. It is also possible that the market value of the Notes might be affected as a result of such an audit of the Notes (or by an audit of similar Notes). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Notes to the extent that it adversely

affects the exclusion from gross income of interest on the Notes or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE NOTES THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE NOTES INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE NOTES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE NOTES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE NOTES STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE NOTES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE NOTES.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Note Resolutions and the Tax Certificate relating to the Notes permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the Notes for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest on the Notes is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Notes and the accrual or receipt of interest with respect to the Notes may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Notes, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Notes.

A copy of the proposed form of the opinion of Bond Counsel for the Notes is attached hereto as Appendix B.

### **LEGALITY FOR INVESTMENT IN CALIFORNIA**

Under the provisions of the Financial Code, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment of funds of its depositors and under provisions of the Government Code, the Notes are eligible to secure deposits of public moneys in the State.

### **RATING**

The District received the rating of “\_\_\_” on the Notes from S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). Certain information was supplied by the District to S&P to be considered in evaluating the Notes. The rating reflects only the view of the rating agency, and any explanation of the significance of such rating should be obtained from such rating agency. There is no assurance that the rating will be retained for any given period of time or that the same will not be

revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

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

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any rating changes on the Notes. Notwithstanding such covenant, information relating to rating changes on the Notes may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Notes are directed to S&P and its website, and official media outlets, for the most current rating changes with respect to the Notes after the initial issuance thereof.

## **LITIGATION**

No litigation is pending or threatened concerning the validity of the Notes, and the District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting (i) the District's ability to receive or collect Unrestricted Revenues, or (ii) contesting the District's ability to issue and retire the Notes.

***[North Park Lawsuits.*** There are three lawsuits (collectively, the "North Park Lawsuits") pending against the District arising from a shooting that occurred at the District's North Park Elementary School ("North Park") on April 10, 2017, which resulted in the deaths of a teacher employed by the District and a North Park student, as well as physical injuries to another North Park student. The assailant, who was not an employee of the District, died of a self-inflicted gunshot wound. The North Park Lawsuits were brought by multiple plaintiffs, including the parents of the deceased North Park student, as well as parents of other North Park students, seeking damages and expenses based on multiple claims, including but not limited to, negligence, breach of fiduciary duty, and wrongful death. The District believes that any potential damages arising from the North Park Lawsuits are within its insurance coverage limits. However, given the current stage of the litigation, the District cannot predict the outcome of the North Park Lawsuits or, if the outcome is adverse to the District, the amount of any potential damages, including damages a jury might award if any or all of the North Park Lawsuits proceed to trial. The District currently believes that the collective impact of the North Park Lawsuits, if ultimately found adverse to the District, will not materially adversely affect the financial condition or operations of the District.]

## **LEGAL OPINION**

Bond Counsel will render a final approving opinion with respect to the Notes substantially in the form attached as Appendix B. A copy of such approving opinion will be available at the time of delivery to the original purchasers of the Notes.

## **ENHANCED INFORMATION REPORTING REQUIREMENTS**

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (the "TIPRA"). Under Section 6049 of the Code, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable

obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any Owner who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

## **AVAILABILITY OF INFORMATION**

Copies of the Note Resolutions are available, upon written request, from the District.

This Official Statement contains financial data taken or constructed from the official records of the District. Such data has been reviewed by an authorized representative of the 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.

## **UNDERWRITING**

***Purchase of Notes.*** The Notes are being purchased for reoffering by Piper Sandler & Co. (the “Underwriter”). The Underwriter has agreed, pursuant to the purchase contract by and among the District, the County and the Underwriter (the “Note Purchase Contract”), to purchase the Notes at a price of \$\_\_\_\_\_ (representing the principal amount of the Notes of \$\_\_\_\_\_, plus original issue premium of \$\_\_\_\_\_, and less an Underwriter’s discount of \$\_\_\_\_\_). The Note Purchase Contract provides that the Underwriter will purchase all of the Notes, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Note Purchase Contract.

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

***Underwriter Disclosure.*** The Underwriter has provided the following information for inclusion in this Official Statement:

**Distribution Agreements.** The Underwriter has entered into a distribution agreement with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to that agreement, CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

## **USE OF FINANCIAL STATEMENTS**

The financial statements of the District, with supplemental information for the year ended June 30, 2020, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated February 26, 2021 of Eide Bailly LLP, independent accountant (the “Auditor”), are included in this Official Statement as Appendix D. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix D to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning

the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

### **CONTINUING DISCLOSURE**

***Current Undertaking.*** The District will covenant for the Owners of the Beneficial Owners of the Notes to provide notices of the occurrence of certain listed events. The notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the notices of listed events is described in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES” attached hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). In connection with the issuance of other debt obligations, the District has also covenanted to provide certain financial information and operating data relating to the District (the “Annual Reports”) by not later than nine months following the end of the District’s fiscal year, and to provide notices of the occurrence of certain listed events.

***Prior Undertakings.*** Within the past five years, the District has (i) failed to timely file a portion of the annual report for fiscal year 2015-16 for one of its then-outstanding continuing disclosure undertakings, (ii) filed the annual report for fiscal years 2015-16 through 2017-18 for one of its then-outstanding continuing disclosure undertakings within a week of each respective due date, (iii) filed the annual report for fiscal year 2017-18 for one its then-outstanding continuing disclosure undertakings 8 days late, and (iv) failed to file or failed to timely file certain notices of listed events as required by certain of its then-outstanding continuing disclosure undertakings.

### **MISCELLANEOUS**

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

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 District and the purchasers or Owners of any of the Notes.

**SAN BERNARDINO CITY UNIFIED SCHOOL  
DISTRICT**

By \_\_\_\_\_  
Associate Superintendent,  
Business, Facilities and Operations

## APPENDIX A

### GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SAN BERNARDINO AND THE COUNTY OF SAN BERNARDINO

*The following information regarding the City of San Bernardino (the “City”) and San Bernardino County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Notes are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriter or the Municipal Advisor.*

#### General

***The City of San Bernardino.*** Incorporated in 1854 as a charter city, the City is located approximately 60 miles east of downtown Los Angeles and 55 miles west of Palm Springs. Situated at the meeting of the I-10, SR-210 and I-215 highways, the City has over 35 million square-feet of industrial space, and has been at the center of the movement of material goods through the southern portion of the State of California (the “State”) since 1875. The City also hosts and is within close proximity to several colleges, with opportunities in education making up a large percentage of its economy. The City blends elements of a Council-Manager form of government with a strong-mayor system. The mayor is the chief executive, and appoints and supervises a city manager. The mayor is elected at large, while seven council members are elected from specific wards. The mayor and the council members serve four-year staggered terms.

***San Bernardino County.*** The County is located in the southern portion of the State. The County is bordered by the State of Nevada and the State of Arizona to the east, Riverside County to the south, Inyo County to the north, and Kern, Los Angeles and Orange Counties to the west. It is the fifth most populous county in State and the twelfth most populous in the United States, with an area of 20,160 square miles; more than three-quarters of the area is vacant and covered by desert, forest and mountain ranges. It is the largest county in the nation. The County is governed by a five-member Board of Supervisors, each elected from their districts. The County was established on May 23, 1853, and the County seat is the City. Experiencing strong expansion, the County, which is the major employer of the Riverside-San Bernardino metro area, currently has California’s fastest job growth.

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## Population

The following table shows historical population figures for the City, the County and the State for the past 10 years.

**POPULATION ESTIMATES**  
**2011 through 2020**  
**City of San Bernardino, San Bernardino County and State of California**

<u>Year</u> <sup>(1)</sup>	<u>City of</u> <u>San Bernardino</u>	<u>San Bernardino</u> <u>County</u>	<u>State of</u> <u>California</u>
2011	210,936	2,055,671	37,561,624
2012	212,558	2,071,326	37,924,661
2013	215,217	2,084,443	38,269,864
2014	215,097	2,094,951	38,556,731
2015	216,235	2,112,344	38,870,150
2016	216,702	2,123,677	39,131,307
2017	217,522	2,141,391	39,398,702
2018	217,588	2,152,845	39,586,646
2019	217,642	2,168,964	39,695,376
2020	217,946	2,180,537	39,782,870

<sup>(1)</sup> As of January 1.

Source: 2011-20 (2010 Demographic Research Unit Benchmark): California Department of Finance for January 1.

## Income

The following table shows per capita personal income for the County, the State of California and the United States for the past 10 years.

**PER CAPITA PERSONAL INCOME**  
**2010 through 2019**  
**San Bernardino County, State of California and the United States**

<u>Year</u>	<u>San Bernardino County</u>	<u>State of California</u>	<u>United States</u>
2010	\$29,567	\$43,636	\$40,547
2011	31,071	46,175	42,739
2012	31,744	48,813	44,605
2013	32,524	49,303	44,860
2014	34,356	52,363	47,071
2015	36,361	55,833	49,019
2016	37,713	58,048	50,015
2017	38,774	60,549	52,118
2018	40,150	63,720	54,606
2019	42,043	66,619	56,490

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Last updated: November 17, 2020 – new statistics for 2019; revised statistics for 2010 - 2018. Estimates for 2010 – 2019 reflect county population estimates available as of March 2020.

All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Principal Employers

The following tables list the principal employers located in the City and the County.

### PRINCIPAL EMPLOYERS as of June 30, 2020 City of San Bernardino

<u>Company</u>	<u>Description</u>	<u>Employees</u>
Stater Brothers	Retail Trade: Food Stores	15,000 – 25,000
County of San Bernardino	Public Administration	5,000 – 14,999
San Bernardino City Unified School District	Educational Services	5,000 – 14,999
Kohl's Corporation	Motor Freight Transportation and Warehousing	5,000 – 14,999
Barrett Business Services, Inc.	Business Services: Employment Agencies	1,000 – 4,999
San Bernardino Community College District	Health Services	1,000 – 4,999
State of California, Department of Transportation	Public Administration of Transportation Programs	1,000 – 4,999
Loma Linda University Healthcare	Health Services	1,000 – 4,999
City of San Bernardino	Public Administration	1,117
California State University, San Bernardino	Educational Services	1,000 – 4,999

Source: City of San Bernardino "Comprehensive Annual Financial Report" for Fiscal Year Ended June 30, 2020.

### PRINCIPAL EMPLOYERS as of June 30, 2020 San Bernardino County

<u>Company</u>	<u>Description</u>	<u>Employees</u>
County of San Bernardino	Public Administration	>10,000
Amazon	Transportation of Freight and Cargo	>10,000
Loma Linda University Medical Center	Health Services	>10,000
Kaiser Permanente	Insurance Agents, Brokers, and Service	>10,000
State of California	Public Administration	>10,000
Wal-Mart	Retail Trade: General Merchandise Stores	5,000 – 9,999
United Parcel Service	Transportation of Freight and Cargo	5,000 – 9,999
Stater Brothers	Retail Trade: Food Stores	5,000 – 9,999
Federal Express	Transportation of Freight and Cargo	2,500 – 4,999
San Manuel Tribe & Casino	Amusement and Recreation Services	2,500 – 4,999

Source: San Bernardino County "Comprehensive Annual Financial Report" for the Fiscal Year Ended June 30, 2020.

## Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2015 through 2019 for the City, the County, the State of California and the United States.

### CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE 2015 through 2019<sup>(1)</sup> City of San Bernardino, San Bernardino County, State of California and United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> <sup>(2)</sup>	<u>Unemployment</u>	<u>Unemployment Rate (%)</u> <sup>(3)</sup>
<u>2015</u>				
City of San Bernardino	82,800	76,000	6,800	8.2
San Bernardino County	919,200	860,000	59,200	6.4
State of California	18,851,100	17,681,800	1,169,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
<u>2016</u>				
City of San Bernardino	83,100	77,100	6,000	7.2
San Bernardino County	930,100	876,400	53,700	5.8
State of California	19,044,500	18,002,800	1,041,700	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<u>2017</u>				
City of San Bernardino	83,900	78,500	5,300	6.3
San Bernardino County	943,100	896,700	46,500	4.9
State of California	19,205,300	18,285,500	919,800	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
City of San Bernardino	83,800	79,400	4,400	5.3
San Bernardino County	956,100	916,700	39,400	4.1
State of California	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
City of San Bernardino	84,700	80,600	4,100	4.8
San Bernardino County	967,700	930,700	37,000	3.8
State of California	19,408,271	18,623,900	784,375	4.0
United States	163,539,000	157,538,000	6,001,000	3.7

Note: Data is not seasonally adjusted.

<sup>(1)</sup> Annual averages, unless otherwise specified.

<sup>(2)</sup> Includes persons involved in labor-management trade disputes.

<sup>(3)</sup> The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, March 2019 Benchmark.

## Industry

The County is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “MSA”). The distribution of employment in the MSA is presented in the following table for the last five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

**LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES**  
**2015 through 2019**  
**San Bernardino County (Riverside-San Bernardino-Ontario MSA)**

<u>Category</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Farm	14,800	14,600	14,500	14,500	15,100
Total Nonfarm	1,354,400	1,403,300	1,454,900	1,506,700	1,541,800
Total Private	1,121,100	1,161,000	1,203,900	1,249,500	1,281,300
Goods Producing	183,100	191,600	197,600	207,500	208,300
Mining and Logging	1,300	900	1,000	1,200	1,200
Construction	85,700	92,000	97,400	105,200	105,900
Manufacturing	96,200	98,700	99,200	101,100	101,200
Durable Goods	63,100	64,400	64,100	65,100	64,900
Nondurable Goods	33,100	34,300	35,200	36,000	36,300
Service Providing	1,171,200	1,211,700	1,257,300	1,299,300	1,333,500
Private Service Providing	937,900	969,400	1,006,300	1,042,100	1,073,000
Trade, Transportation and Utilities	333,100	347,900	365,500	379,600	390,700
Wholesale Trade	60,500	61,600	62,600	65,500	66,700
Retail Trade	174,400	178,300	180,900	181,200	181,300
Transportation, Warehousing and Utilities	98,100	108,000	122,100	132,900	142,800
Information	11,700	11,800	11,600	11,400	11,500
Financial Activities	43,700	44,300	43,900	43,800	44,200
Professional and Business Services	147,400	144,900	146,900	151,400	155,500
Educational and Health Services	206,300	215,700	226,700	239,500	150,100
Leisure and Hospitality	151,700	160,200	166,300	170,600	175,200
Other Services	44,000	44,600	45,400	45,800	45,800
Government	<u>233,300</u>	<u>242,300</u>	<u>251,000</u>	<u>257,200</u>	<u>260,500</u>
Total, All Industries	<u>1,369,100</u>	<u>1,417,900</u>	<u>1,469,400</u>	<u>1,521,200</u>	<u>1,556,900</u>

Note: The “Total, All Industries” data is not directly comparable to the employment data found herein.

Source: *State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment. March 2019 Benchmark.*

## Commercial Activity

A summary of annual taxable sales for the County for the last five years is shown in the following table.

### ANNUAL TAXABLE SALES 2015 through 2019 City of San Bernardino (Dollars in Thousands)

		Retail and Food Services: Taxable		Total All Outlets: Taxable
<u>Year</u>	<u>Retail Permits</u>	<u>Transactions</u>	<u>Total Permits</u>	<u>Transactions</u>
2015	5,539	\$2,380,149	7,110	\$2,868,851
2016	5,642	2,457,548	7,333	2,988,983
2017	5,598	2,573,088	7,313	3,101,214
2018	5,635	2,677,251	7,625	3,261,802
2019	5,789	2,731,818	8,005	3,335,912

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 on are not comparable to that of prior years.

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

### ANNUAL TAXABLE SALES 2015 through 2019 San Bernardino County (Dollars in Thousands)

		Retail and Food Services: Taxable		Total All Outlets: Taxable
<u>Year</u>	<u>Retail Permits</u>	<u>Transactions</u>	<u>Total Permits</u>	<u>Transactions</u>
2015	37,696	\$23,384,547	56,128	\$35,580,275
2016	38,370	24,477,002	57,629	37,216,551
2017	39,067	25,603,171	58,956	38,399,372
2018	39,837	26,905,783	61,838	40,554,023
2019	40,964	27,585,905	64,771	41,768,747

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 on are not comparable to that of prior years.

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

## Construction Activity

The following tables show the annual building permit valuations and number of permits for new dwelling units issued from 2015 through 2019 for the City and the County.

### BUILDING PERMITS AND VALUATIONS 2015 through 2019 City of San Bernardino (Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Valuation					
Residential	\$36,100	\$16,064	\$6,804	\$21,342	\$111,606
Non-Residential	<u>138,704</u>	<u>88,221</u>	<u>172,915</u>	<u>175,647</u>	<u>86,091</u>
Total	\$174,804	\$104,285	\$179,719	\$196,989	\$197,697
Units					
Single Family	38	33	19	72	52
Multiple Family	<u>47</u>	<u>62</u>	<u>0</u>	<u>16</u>	<u>685</u>
Total	85	95	19	88	737

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

### BUILDING PERMITS AND VALUATIONS 2015 through 2019 San Bernardino County (Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Valuation					
Residential	\$1,056,572	\$888,142	\$1,366,023	\$1,455,281	\$1,450,638
Non-Residential	<u>1,146,722</u>	<u>994,282</u>	<u>1,285,597</u>	<u>1,080,130</u>	<u>1,377,100</u>
Total	\$2,203,294	\$1,882,424	\$2,651,620	\$2,535,411	\$2,827,738
Units					
Single Family	2,753	2,896	4,253	3,311	4,096
Multiple Family	<u>1,159</u>	<u>976</u>	<u>2,578</u>	<u>1,775</u>	<u>1,884</u>
Total	3,912	3,872	6,831	5,086	5,980

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

## APPENDIX B

### FORM OF OPINION OF BOND COUNSEL FOR THE NOTES

*Upon issuance of the Notes, Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, proposes to render its final approving opinion with respect to the Notes in substantially the following form:*

April \_\_, 2021

Members of the Board of Education  
San Bernardino City Unified School District

Members of the Board:

We hereby certify that we have examined certified copies of the legal proceedings and other proofs submitted pertaining to the issuance and sale of \$\_\_\_\_\_ aggregate principal amount of the San Bernardino City Unified School District (County of San Bernardino, California) Cross Fiscal Year 2020-21 Tax and Revenue Anticipation Notes (the “Notes”), issued by the Board of Supervisors of the County of San Bernardino (the “County”), issued pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (Sections 53850-53858, inclusive) of the Government Code and pursuant to resolutions (collectively, the “Resolution”) adopted by the Board of Supervisors of the County and the Board of Education of the San Bernardino City Unified School District (the “District”). The Notes are dated the date hereof and are due and payable on\_\_\_\_, 2021. Both the principal of and interest on the Notes are payable to the registered Owner thereof at maturity in lawful money of the United States of America at the principal trust office of U.S. Bank National Association, as paying agent.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under the Constitution and laws of the State of California now in force, and the Notes constitute valid and legally binding general obligations of the District. The District has pledged (i) an amount equal to \_\_\_\_ percent (\_\_\_\_%) of the principal of the Notes from the first unrestricted revenues received by the District in the month ending\_\_\_\_, 2021, and (ii) an amount equal to \_\_\_\_ percent (\_\_\_\_%) of the principal of and one hundred percent (100%) of the interest due on the Notes from the first unrestricted revenues received by the District in the month ending\_\_\_\_, 2021. The principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be paid from such pledged revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

We are further of the opinion that based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Resolution and with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding the use, expenditure and investment of proceeds of the Notes, and the timely payment of certain investment earnings to the United States, interest on the Notes is not includable in the gross income of the holders of the Notes for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Notes to be included in federal gross income retroactive to the date of issuance of the Notes.

Interest on the Notes is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals. We are of the further opinion that interest on the Notes is exempt from personal income taxes imposed by the State of California. We express no opinion regarding other income tax consequences resulting from the ownership of, or the receipt of interest on, the Notes.

The amount by which a Note Owner's original basis for determining loss on sale or exchange of the applicable Note (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Note premium, which must be amortized under Section 171 of the Code; such amortizable Note premium reduces the Note Owner's basis in the applicable Note (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Note premium may result in a Note Owner realizing a taxable gain when a Note is sold by the Note Owner for an amount equal to or less (under certain circumstances) than the original cost of the Note to the Note Owner. Purchasers of the Notes should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Note premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not 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. The Resolution and the Tax Certificate relating to the Notes permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Notes.

It is possible that subsequent to the issuance of the Notes there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Notes or the market value of the Notes. No assurance can be given that subsequent to the issuance of the Notes such changes or interpretations will not occur.

With respect to the opinions expressed herein, the rights of the holders of the Notes and the enforceability thereof are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the San Bernardino City Unified School District (the “District”) in connection with the issuance by the District of \$\_\_\_\_\_ Cross Fiscal year 2020-21 Tax and Revenue Anticipation Notes (the “Notes”). The Notes are being issued pursuant to resolutions of the Board of Education of the District and the Board of Supervisors of the County of San Bernardino (collectively, the “Resolution”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders of the Notes and to assist the Participating Underwriter in complying with the Rule (as defined herein).

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

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

“Financial Obligation” shall mean (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Holders” shall mean, while the Notes are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the Owner of any Note for Federal income tax purposes.

“Listed Events” shall mean any of the events listed in Section 3(a) or 3(b) of this Disclosure Certificate.

“Participating Underwriter” shall mean Piper Sandler & Co., or any other original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future

“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.

#### SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 3(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the 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 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 District.
10. 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.

(b) Pursuant to the provisions of this Section 3, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

1. non-payment related defaults.
2. modifications to rights of Holders.
3. optional, contingent or unscheduled calls.
4. unless described under Section 3(a)(5) above, material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes.
5. release, substitution or sale of property securing repayment of the Notes.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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.

7. appointment of a successor or additional trustee or paying agent with respect to the Notes or the change of name of such a trustee or paying agent.

8. Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Note owners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 3(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 3(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 3(c).

SECTION 4 Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

SECTION 6. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Notes.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other

information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: April \_\_, 2021

SAN BERNARDINO CITY UNIFIED SCHOOL  
DISTRICT

By: \_\_\_\_\_  
Jayne Christakos  
Associate Superintendent, Business, Facilities and  
Operations

## **APPENDIX D**

### **2019-20 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**

## APPENDIX E

### BOOK ENTRY-ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, 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 Official Statement. 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 Notes. The Notes 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 Note certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC 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).

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

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Resolutions. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes 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 District or the Paying Agent (defined herein) 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 District, 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 District or the Paying 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.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District 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 District 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..

## **APPENDIX F**

### **COUNTY OF SAN BERNARDINO INVESTMENT POOL**

*The following information concerning the County San Bernardino Investment Pool (the “Investment Pool”) has been provided by the Treasurer (the “Treasurer”) of the County of San Bernardino (the “County”), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. The District, the Municipal Advisor 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 District, the 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. .*