# PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 23, 2022



**NEW ISSUE - FULL BOOK-ENTRY** 

**RATING: S&P: "__"**
**See "RATING" herein.**

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

## $34,000,000*
# HILLSBOROUGH CITY SCHOOL DISTRICT
### (San Mateo County, California)
## General Obligation Bonds
## Election of 2022, Series A

**Dated: Date of Delivery** **Due: August 1, as shown on inside front cover.**

***Authority and Purpose.*** The captioned General Obligation Bonds, Election of 2022, Series A (the "Bonds"), are being issued by the Hillsborough City School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on August 18, 2022. The Bonds were authorized at an election of the registered voters of the District held on June 7, 2022, which authorized the issuance of $140,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities (the "2022 Bond Authorization"). The Bonds are the first series of bonds to be issued under the 2022 Bond Authorization. See "THE FINANCING PLAN" and "THE BONDS – Authority For Issuance" herein.

***Security for the Bonds.*** The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County of San Mateo (the "County"). The County Board of Supervisors is empowered and is obligated to annually levy *ad valorem* taxes for the payment by the District of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has other series of general obligation bonds outstanding that are similarly secured by *ad valorem* tax levies. See "DEBT SERVICE SCHEDULES – Combined General Obligation Bond Indebtedness" and "SECURITY FOR THE BONDS" herein.

***Book-Entry Only.*** The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

***Payments.*** The Bonds are dated the date of delivery and will accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing on February 1, 2023. Payments of principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A. Dallas, Texas, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

***Redemption.*** The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "-Mandatory Sinking Fund Redemption."

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**MATURITY SCHEDULE**
(See inside cover)

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***Cover Page.*** This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Norton Rose Fulbright US LLP, Los Angeles, California is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about September 15, 2022*.*

**RAYMOND JAMES®**

The date of this Official Statement is _________, 2022.

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**Preliminary, subject to change.*

# MATURITY SCHEDULE*

## HILLSBOROUGH CITY SCHOOL DISTRICT
**(San Mateo County, California)**
**General Obligation Bonds**
**Election of 2022, Series A**

**Base CUSIP†: 432272**

| Maturity Date (August 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP† |
|---|---|---|---|---|---|

**$________ - ____% Term Bonds maturing August 1, 20__; Yield: ___%; Price: ___; CUSIP†: ___**

**Preliminary; subject to change.*

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# HILLSBOROUGH CITY SCHOOL DISTRICT
**(San Mateo County, California)**

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

***Use of Official Statement***. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Bond owner and the District or the Underwriter.

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

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

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

***Estimates and Forecasts*.** When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

***Involvement of Underwriter***. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under 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.

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

***Document Summaries***. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

***No Securities Laws Registration***. The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

***Effective Date***. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

***Website***. The District maintains a website and other online social media sites. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

# TABLE OF CONTENTS


| | Page |
|---|---|
| INTRODUCTION | 1 |
| THE FINANCING PLAN | 4 |
| SOURCES AND USES OF FUNDS | 4 |
| THE BONDS | 5 |
| Authority for Issuance | 5 |
| Description of the Bonds | 5 |
| Book-Entry Only Form | 5 |
| Optional Redemption | 6 |
| Mandatory Sinking Fund Redemption | 6 |
| Notice of Redemption | 7 |
| Partial Redemption of Bonds | 7 |
| Right to Rescind Notice of Redemption | 7 |
| Registration, Transfer and Exchange of Bonds | 7 |
| Defeasance | 8 |
| DEBT SERVICE SCHEDULES | 10 |
| SECURITY FOR THE BONDS | 12 |
| *Ad Valorem* Taxes | 12 |
| Pledge of the Debt Service Fund | 13 |
| Not a County Obligation | 13 |
| Disclosure Relating to COVID-19 Pandemic | 13 |
| PROPERTY TAXATION | 17 |
| Property Tax Collection Procedures | 17 |
| Taxation of State-Assessed Utility Property | 18 |
| Assessed Valuation | 18 |
| Reassessments and Appeals of Assessed Value | 21 |
| Tax Rates | 22 |
| Tax Levies and Delinquencies | 23 |
| Major Taxpayers | 24 |
| Direct and Overlapping Debt | 25 |
| TAX MATTERS | 26 |
| CERTAIN LEGAL MATTERS | 27 |
| Legality for Investment | 27 |
| Absence of Litigation | 27 |
| Disclaimer Regarding Cyber Risks | 28 |
| Compensation of Certain Professionals | 28 |
| CONTINUING DISCLOSURE | 28 |
| RATING | 29 |
| UNDERWRITING | 29 |
| ADDITIONAL INFORMATION | 29 |
| EXECUTION | 30 |
| APPENDIX A - DISTRICT GENERAL AND FINANCIAL INFORMATION | A-1 |
| APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021 | B-1 |
| APPENDIX C - ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE TOWN OF HILLSBOROUGH AND SAN MATEO COUNTY | C-1 |
| APPENDIX D - PROPOSED FORM OF OPINION OF BOND COUNSEL | D-1 |
| APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE | E-1 |
| APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM | F-1 |
| APPENDIX G - SAN MATEO COUNTY INVESTMENT POLICY AND INVESTMENT REPORT | G-1 |

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# OFFICIAL STATEMENT

## $34,000,000*
## HILLSBOROUGH CITY SCHOOL DISTRICT
### (San Mateo County, California)
## General Obligation Bonds
## Election of 2022, Series A

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the captioned General Obligation Bonds, Election of 2022, Series A (the **"Bonds"**) by the Hillsborough City School District (the "**District**") of San Mateo County (the "**County"**), State of California (the **"State"**).

## INTRODUCTION

*This Introduction is not a summary of this 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 and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.*

***The District.*** The District is located in the Town of Hillsborough (the **"Town"**) in the County of San Mateo (the **"County"**), in the State of California (the "**State**"). The Hillsborough City School District was established as a school district in 1910 and is located in the suburban community of Hillsborough on the San Francisco Peninsula. The students are housed in four schools: North School, South School, West School and Crocker Middle School. The District's average daily attendance is projected to be 1,253 students in fiscal year 2022-23. The District's total assessed value in fiscal year 2021-22 is over $11.8 billion. The District is a "Basic Aid" school district for purposes of education funding as more particularly described in the following paragraph. For more information regarding the District and its finances, see Appendix A and Appendix B attached hereto. See also Appendix C hereto for demographic and other information regarding the Town and the County.

***Basic Aid Status for Education Funding***. For purposes of education funding, the District has been a **"Basic Aid"** or "**Community Supported District"** since the 1990-91 fiscal year, meaning that the District's share of local property taxes has in each year since that time exceeded its funding entitlement under the State's education funding formula. The District estimates that for fiscal year 2022-23, it will be funded at approximately 189 percent of what it would be funded as a non-Basic Aid district. Notwithstanding the District's Basic Aid status, the Bonds described herein are secured by voter-approved *ad valorem* property taxes, and not the District's General Fund. See "SECURITY FOR THE BONDS" herein.

***Purpose***. The net proceeds of the Bonds will be used to finance school facility construction and modernization as authorized by more than the requisite 55% of the voters of the

**Preliminary; subject to change.*

District voting at an election held in the District on June 7, 2022 (the **"2022 Bond Authorization"**). See "THE FINANCING PLAN" herein.

***Authority for Issuance of the Bonds.*** The Bonds will be issued pursuant to the 2022 Bond Authorization, certain provisions of the Government Code of the State of California (the "**State**") commencing with Section 53506 thereof (the **"Bond Law"**), and a resolution adopted by the Board of Trustees of the District on August 18, 2022 (the "**Bond Resolution**"). See "THE BONDS - Authority for Issuance" herein.

***Payment and Registration of the Bonds***. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "THE BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

***Redemption.*** The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

***Security and Sources of Payment for the Bonds***. The Bonds are general obligation bonds of the District payable by the District solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment by the District of the principal of and interest on the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS."

The District has other series of general obligation bonds outstanding that are payable from *ad valorem* taxes levied on taxable property in the District. See "DEBT SERVICE SCHEDULES" and "DISTRICT FINANCIAL INFORMATION – Long-Term Debt" in Appendix A.

***Tax Matters.*** Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from the State personal income taxes. See "TAX MATTERS" herein.

***COVID-19 Statement.*** The COVID-19 pandemic commenced in approximately March 2020 and resulted in a public health crisis that has been fluid and unpredictable with unknown financial and economic impacts. Notwithstanding that several vaccines have been developed for COVID-19 and are generally widely available, investors continue to be cautioned that the District cannot predict the full impacts that the COVID-19 pandemic may have had or will continue to have, either directly or indirectly, on its operations, including its finances, property values and other matters. For more disclosure regarding the COVID-19 pandemic, see "SECURITY FOR THE BONDS – Disclosure Relating to COVID-19 Pandemic" herein. See also references to COVID-19 in APPENDIX A under the heading "GENERAL DISTRICT INFORMATION" and "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

***Other Information.*** This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the Superintendent's

Office at 300 El Cerrito Avenue, Hillsborough, California 94010, Telephone: (650) 342-5193. The District may impose a charge for copying, mailing and handling.

The District also maintains a website where public information is regularly made available. See www.hcsdk8.org. The District may also make certain information available at times on various social media sites. The information contained in the District web site or in any other social media posts are not incorporated herein by reference.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. 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 representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

END OF INTRODUCTION

## THE FINANCING PLAN

The proceeds of the Bonds will be used to finance projects approved by the voters in connection with the 2022 Bond Authorization, which authorized the issuance of $140,000,000 principal amount of general obligation bonds for the purpose of financing the construction and improvement of school facilities, together with related costs of issuing the Bonds. The abbreviated form of the 2022 Bond Authorization, known as "Measure H", is as follows:

> *"To upgrade aging school facilities and classrooms for science, technology, engineering, arts, and math instruction; repair/replace deteriorating roofs, plumbing, electrical, heating/cooling and ventilation systems; upgrade schools to meet current earthquake/fire standards, and replace outdated portables with permanent classrooms, shall Hillsborough City School District's measure to issue $140,000,000 in bonds at legal interest rates be adopted, raising $6,600,000 annually averaging 3 cents per $100 of assessed value while bonds are outstanding, with independent oversight and audits?"*

As part of the ballot materials presented to District voters in connection with the 2022 Bond Authorization, the voters authorized a specific list of projects (the **"Project List"**) eligible to be funded with proceeds of bonds sold pursuant to the 2022 Bond Authorization, including the Bonds described herein. The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2022 Bond Authorization will provide sufficient funds to complete any particular project listed in the Project List. The Bonds will be the first series of general obligation bonds issued pursuant to the 2022 Bond Authorization. Following the issuance of the Bonds, $106,000,000* principal amount of the 2022 Bond Authorization is authorized but unissued.

## SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Sources and Uses**

| | |
|---|---|
| **Sources of Funds** | |
| Principal Amount of Bonds | |
| [Net] Original Issue [Premium]/[Discount] | |
| **Total Sources** | |
| | |
| **Uses of Funds** | |
| Deposit to Building Fund | |
| Deposit to Debt Service Fund | |
| Costs of Issuance(1) | |
| **Total Uses** | |

*(1) Estimated costs of issuance include, but are not limited to, Underwriter's discount, printing costs, fees of Bond Counsel, Disclosure Counsel, Municipal Advisor, Advisor to the Board, the Paying Agent and the rating agency.*

**Preliminary, subject to change.*

# THE BONDS

## Authority for Issuance

The Bonds have been authorized under the 2022 Bond Authorization and will be issued pursuant to the provisions of the Bond Law and the Bond Resolution.

## Description of the Bonds

The Bonds mature in the years and in the amounts and bear interest at the rates per annum all as set forth on the inside cover page hereof. Interest shall be computed based on a 360-day year of twelve 30-day months. The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" below and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Bonds will be issued in the denomination of $5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing on February 1, 2023 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the 15$^{th}$ calendar day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2023, in which event it will bear interest from the date of delivery thereof identified on the cover page. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

See the maturity schedules on the inside cover page of this Official Statement and "DEBT SERVICE SCHEDULES" herein.

## Book-Entry Only System

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("**DTC**"). Purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice. See "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Paying Agent, the District, and the Underwriter of the Bonds have no responsibility or liability for payments made on account of beneficial ownership or any aspects of the records relating thereto, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

**Optional Redemption***

The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Whenever less than all of the outstanding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For the purpose of selection for optional redemption, Bonds will be deemed to consist of $5,000 portions (principal amount), and any such portion may be separately redeemed. The Bonds may all be separately redeemed.

**Mandatory Sinking Fund Redemption***

The Bonds maturing on August 1, 20__, and August 1, 20__ (the **"Term Bonds"**), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the respective schedules set forth below. The Term Bonds so called for mandatory sinking fund redemption will be redeemed at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

**Term Bonds Maturing August 1, 20__**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|

**Term Bonds Maturing August 1, 20__**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|

If any Term Bonds are redeemed pursuant to the optional redemption provisions described above, the total amount of all future sinking fund payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 principal amount (or on such other basis as the District may determine and direct) as set forth in written notice given by the District to the Paying Agent.

**Preliminary, subject to change.*

**Notice of Redemption**

The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Bonds designated for redemption, at their addresses appearing on the registration books maintained by the Paying Agent. Such notice may be a conditional notice of redemption and subject to rescission as set forth below. Such notice shall state (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the date of notice and the date of redemption, (c) the place or places where the redemption will be made, and (d) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further require the Bonds which are subject to redemption to be surrendered at the office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest on the Bonds so called for redemption have been duly provided, the Bonds called fsor redemption will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice.

**Partial Redemption of Bonds**

Upon the surrender of any Bond redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the Owner thereof a new Bond or Bonds of like maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Bond surrendered. Such partial redemption will be valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

**Right to Rescind Notice of Optional Redemption**

The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. The District and the Paying Agent have no liability to the owners of the Bonds or any other party related to or arising from any such rescission of redemption. The Paying Agent will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

**Registration, Transfer and Exchange of Bonds**

If the book entry system is discontinued, the District will cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds.

If the book entry system is discontinued, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Bond will be made only to or upon the order of that person; neither the District, the County nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution.

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in Dallas, Texas, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity and series. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

**Defeasance**

The Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the County and the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or Federal Securities in the necessary amount (as described above) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as provided in Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

As defined in the Bond Resolution, the term **"Federal Securities"** means: (a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; (b) any obligations the timely payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America or which are secured by obligations described in the preceding clause (a); (c) the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; and (d) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv) Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development; and (vii) obligations of the Federal Home Loan Bank (FHLB).

## DEBT SERVICE SCHEDULES

***The Bonds.*** The following table shows the debt service schedule with respect to the Bonds, assuming no optional redemptions.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Bond Debt Service Schedule**

| Bond Year Ending | Principal | Interest | Total Debt Service |
|---|---|---|---|
| 8/1/23 | | | |
| 8/1/24 | | | |
| 8/1/25 | | | |
| 8/1/26 | | | |
| 8/1/27 | | | |
| 8/1/28 | | | |
| 8/1/29 | | | |
| 8/1/30 | | | |
| 8/1/31 | | | |
| 8/1/32 | | | |
| 8/1/33 | | | |
| 8/1/34 | | | |
| 8/1/35 | | | |
| 8/1/36 | | | |
| 8/1/37 | | | |
| 8/1/38 | | | |
| 8/1/39 | | | |
| 8/1/40 | | | |
| 8/1/41 | | | |
| 8/1/42 | | | |
| 8/1/43 | | | |
| 8/1/44 | | | |
| 8/1/45 | | | |
| 8/1/46 | | | |
| 8/1/47 | | | |
| 8/1/48 | | | |
| 8/1/49 | | | |
| 8/1/50 | | | |
| 8/1/51 | | | |
| 8/1/52 | | | |
| Totals: | | | |

***Combined General Obligation Bond Indebtedness.*** The following table shows the debt service schedule with respect to all outstanding general obligation bonds of the District, together with debt service due on the Bonds, assuming no optional redemptions. For more detail on other outstanding general obligation bond debt of the District, see Appendix A hereto under the heading "DISTRICT FINANCIAL INFORMATION - Long-Term Debt."

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Combined Outstanding General Obligation Bond Debt Service**

| Bond Year Ending | Other GO Bond Debt | The Bonds | Total Debt Service |
|---|---|---|---|
| 8/1/23 | | | |
| 8/1/24 | | | |
| 8/1/25 | | | |
| 8/1/26 | | | |
| 8/1/27 | | | |
| 8/1/28 | | | |
| 8/1/29 | | | |
| 8/1/30 | | | |
| 8/1/31 | | | |
| 8/1/32 | | | |
| 8/1/33 | | | |
| 8/1/34 | | | |
| 8/1/35 | | | |
| 8/1/36 | | | |
| 8/1/37 | | | |
| 8/1/38 | | | |
| 8/1/39 | | | |
| 8/1/40 | | | |
| 8/1/41 | | | |
| 8/1/42 | | | |
| 8/1/43 | | | |
| 8/1/44 | | | |
| 8/1/45 | | | |
| 8/1/46 | | | |
| 8/1/47 | | | |
| 8/1/48 | | | |
| 8/1/49 | | | |
| 8/1/50 | | | |
| 8/1/51 | | | |
| 8/1/52 | | | |
| Totals: | | | |

## SECURITY FOR THE BONDS

### *Ad Valorem* Taxes

***Bonds Payable from Ad Valorem Property Taxes.*** The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest on the Bonds out of any funds or properties of the District (except for *ad valorem* taxes on District property, if any, determined not to be exempt from such taxes), other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

***Other Bonds Payable from Ad Valorem Property Taxes***. The District has a number of general obligation bond issues outstanding which are payable from *ad valorem* taxes on a parity basis. In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in the District which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Tax Rates" and "- Direct and Overlapping Debt" below.

***Levy, Collection, and Pledge of Taxes.*** The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment by the District of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Bonds, which is maintained by the County and which is irrevocably pledged by the District for the payment by it of principal of and interest on the Bonds when due.

***Statutory Lien on* Ad Valorem *Tax Revenues.*** Pursuant to Senate Bill 222 effective January 1, 2016, voter-approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

***Annual Tax Rates.*** The amount of the annual *ad valorem* property tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, pandemic, deflation of property values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, drought or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. Notwithstanding such potential events, the County is obligated to annually levy and collect sufficient *ad valorem* property taxes to provide for the payment of debt service coming due on the Bonds. See "PROPERTY TAXATION – Assessed Valuation – Factors Relating to Increases/Decreases in Assessed Value." See also below under the heading "– Disclosure Relating to COVID-19 Pandemic."

### Pledge of the Debt Service Fund

Pursuant to the Bond Resolution, the County will establish a Debt Service Fund (the "**Debt Service Fund**") for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment by the District of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon its receipt. The Debt Service Fund is pledged by the District for the payment by it of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to enable the District to pay the principal of and interest and premium (if any) on the Bonds as the same becomes due and payable.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the County shall apply such amounts to pay debt service on other outstanding general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, shall be transferred to the general fund of the District, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

### Not a County Obligation

No part of any fund or account of the County is pledged or obligated to the payment of the Bonds. The Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment by the District of principal of and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt (or a pledge of the full faith and credit) of the County.

### Disclosure Relating to COVID-19 Pandemic

***Background.*** Coronavirus disease (**"COVID-19"**) is an infectious disease caused by a virus generally causing respiratory illness and other symptoms which range from mild to fatal. The United States Secretary of Health and Human Services declared a public health emergency on January 31, 2020 in response to COVID-19, then-President Trump proclaimed that as of March 1, 2020 the COVID-19 outbreak constituted a national emergency, and the World Health Organization declared the outbreak of COVID-19 a pandemic on March 11, 2020. Subsequent thereto, actions to slow transmission of COVID-19 were taken by governmental bodies and authorities, including stay-at-home orders, mask mandates, quarantine requirements and travel restrictions, among others. Healthcare systems experienced periods of strain. As of this date, several vaccines have been provided approval by federal health authorities for use in the United States, as well as by authorities in other nations, and are generally widely available.

***Federal Responses to COVID-19 Pandemic.*** To address the challenges that have arisen due to the COVID-19 pandemic, the federal government adopted several aid packages including:

Coronavirus Preparedness and Response Supplemental Appropriations Act (March 6, 2020): A $8.3 billion emergency supplemental appropriations package to enhance the national response to COVID-19, including public health funds for preparedness and response and for research.

Families First Coronavirus Response Act (March 18, 2020): A federal relief package ($100 billion) responding to the COVID-19 outbreak by providing paid sick leave, tax credits, and free COVID-19 testing, expanding food assistance and unemployment benefits, and increasing Medicaid funding.

CARES Act (March 27, 2020): The Coronavirus Aid, Relief, and Economic Security Act (the **"CARES Act"**) provided $2 trillion in federal spending and loans toward coronavirus relief efforts, representing the largest rescue package in U.S. history. Along with funding a wide range of emergency appropriations, the legislation also allocated hundreds of billions in loans and grants to major industries and small businesses, direct cash payments to taxpayers and significantly expanded unemployment benefits. This funding allocation included approximately $13.5 billion in formula funding to make grants available to each state's educational agency in order to facilitate K-12 schools' responses to the COVID-19 pandemic.

Federal Reserve Programs Implemented (April 9, 2020): The Federal Reserve took actions aimed at providing up to $2.3 trillion in loans to support the national economy, including supplying liquidity to participating financial institutions in the Small Business Administration's (**"SBA"**) Paycheck Protection Program (**"PPP"**), purchasing up to $600 billion in loans through the Main Street Lending Program and offering up to $500 billion in lending to states and municipalities.

Paycheck Protection Program (April 24, 2020): $484 billion federal aid package which primarily renewed funding for the PPP, the SBA disaster assistance loans and grant program, hospital grants and funding for a COVID-19 testing program.

Consolidated Appropriations Act (December 27, 2020): The Coronavirus Response and Consolidated Appropriations Act continued many of the programs implemented with the CARES Act as part of a $900 billion federal relief package. It provided additional direct stimulus payments to individuals and families, extended unemployment benefits, expanded the PPP, and provided approximately $82 billion in supplemental aid to support the educational needs of states, school districts, and institutions of higher education, among other stimulus measures.

American Rescue Plan (March 11, 2021): The American Rescue Plan Act of 2021 (the **"ARP Act"**), a $1.9 trillion economic stimulus plan providing additional stimulus checks to individuals and families, extending federal supplemental unemployment benefits, providing more funding for state and local governments, expanding subsidies for healthcare insurance, and provide additional funding for COVID-19 testing, vaccination, and treatment, among several other provisions. With respect to relief for educational agencies, it included grants of $125.8 billion for states to support statewide and local funding for elementary and secondary schools and public postsecondary institutions. It provides that states that receive the grants cannot reduce their spending levels on education as a proportion of their budgets during fiscal 2022 or 2023, compared with the average level from fiscal 2017 through 2019.

***State Responses to COVID-19 Pandemic.*** At the State level, to address some of the challenges that have arisen due to the COVID-19 pandemic, legislative actions include:

<u>$1.1 Billion in Emergency Coronavirus funding (March 16, 2020)</u>: The State legislature passed $1.1 billion in general purpose spending authority providing emergency funds to respond to the pandemic, which was signed by the Governor on March 17, 2020.

<u>$7.6 Billion Coronavirus Relief Package (February 23, 2021)</u>: The Governor signed legislation providing $7.6 billion in State funding aimed at helping individuals and businesses that were not included in federal aid packages, which included sending rebates to low-income, disabled and undocumented persons when 2020 taxes were filed, $2 billion in grants for small business, $35 million for food and diaper banks and $400 million in subsidies for childcare providers.

***Educational Agencies and the COVID-19 Pandemic.*** Impacts on school districts from the COVID-19 pandemic include:

<u>Remote Learning; Attendance and Enrollment</u>. In-person classroom instruction throughout State schools was generally suspended from March 2020 through the end of the 2019-20 academic year. The 2020-21 academic year included significant amounts of distance learning as opposed to in-person instruction due to State and local restrictions and recommendations. The 2021-22 academic year generally commenced with in-person learning with an independent study option. Impacts of remote learning include difficulty in tracking and maintaining average daily attendance figures. Several school districts also experienced unplanned declines in enrollment, due to home schooling and families moving out of the State, among other reasons.

<u>Senate Bill 117 (March 17, 2020)</u>: Legislation which effectively held school districts harmless from funding losses that could result from attendance issues under the State's education funding formula. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Education Funding Generally."

<u>Safe Schools for All Plan (December 30, 2020)</u>: The Governor announced a plan aimed at incentivizing schools to offer in-person learning, also implemented with Senate and Assembly Bill 86. The plan provided schools with financial incentives totaling $2 billion to offer in-person instruction beginning April 1, 2021, and after May 15, eligibility ceased. Funds obtained were primarily to be spent on purposes consistent with providing in-person instruction, including COVID-19 testing, cleaning, personal protective equipment, facility needs, staffing costs, and social and mental health supports provided in conjunction with in-person instruction. Districts were required to continue to offer distance learning options.

State's Fiscal Years 2021-22 and 2022-23 Budgets and Related Legislation: The two most recent State budgets have provided historic levels of funding for educational purposes. Funding is aimed at the expansion of transitional kindergarten, funding of community wellness and student health hubs on campuses, expanded learning programs and increased special education funding, and minimizing the impacts that reductions in average daily attendance resulting from the COVID-19 pandemic might have on a school district's funding entitlement. School districts funded as Basic Aid school districts, such as the District, which derive most funding from local property tax revenues, are less impacted by State Budgets.

For more information on the District's response to the COVID-19 pandemic, see Appendix A under the heading "GENERAL DISTRICT INFORMATION - District's Response to COVID-19 Pandemic."

***Disclaimer Regarding COVID-19 Pandemic.*** Notwithstanding that several vaccines have been developed for COVID-19 and are generally widely available, investors continue to be cautioned that the District cannot predict the full impacts that the COVID-19 pandemic may have had or will continue to have, either directly or indirectly, on its operations, including its finances, property values and other matters.

***General Obligation Bonds Secured by* Ad Valorem *Property Tax Revenues.*** Notwithstanding the foregoing information regarding the COVID-19 pandemic, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, levied in the District. The Bonds are not payable from the general fund of the District. The District cannot predict the direct or indirect impacts that the COVID-19 pandemic might have on local property values or tax collections. See "SECURITY FOR THE BONDS – *Ad Valorem* Taxes" and "PROPERTY TAXATION –Tax Levies and Delinquencies" herein.

*[Remainder of page intentionally left blank]*

## PROPERTY TAXATION

### Property Tax Collection Procedures

Generally. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing State assessed public utilities' property and real property, the taxes on which create a lien on such property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the local superior court clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Disclaimer Regarding Property Tax Collection Procedures. The property tax collection procedures described above are subject to amendment based on legislation or executive order which may be enacted by the State legislature or declared by the Governor from time to time. The District cannot predict whether future amendments or orders will occur, and what impact, if any, said future amendments or orders could have on the procedures relating to the levy and collection of property taxes, and related interest and penalties.

### Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

### Assessed Valuation

***Assessed Valuation History.*** The table below shows a recent history of the District's assessed valuation.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Historical Assessed Valuations**
**Fiscal Year 2009-10 through Fiscal Year 2021-22**

| Fiscal Year | Local Secured | Utility | Unsecured | Total | % Change |
|---|---|---|---|---|---|
| 2009-10 | $6,654,258,696 | $0 | $4,896,023 | $6,659,154,719 | --% |
| 2010-11 | 6,652,565,600 | 0 | 7,862,429 | 6,660,428,029 | 0.0 |
| 2011-12 | 6,657,019,195 | 0 | 5,673,361 | 6,662,692,556 | 0.0 |
| 2012-13 | 6,925,727,939 | 0 | 5,149,053 | 6,930,876,992 | 4.0 |
| 2013-14 | 7,383,745,807 | 0 | 4,556,205 | 7,388,302,012 | 6.6 |
| 2014-15 | 7,842,298,118 | 0 | 5,908,200 | 7,848,206,318 | 6.2 |
| 2015-16 | 8,469,216,965 | 0 | 8,612,367 | 8,477,829,332 | 8.0 |
| 2016-17 | 9,134,204,148 | 0 | 6,154,767 | 9,140,358,915 | 7.8 |
| 2017-18 | 9,686,224,232 | 0 | 5,259,451 | 9,691,483,683 | 6.0 |
| 2018-19 | 10,223,752,129 | 0 | 5,207,507 | 10,228,959,636 | 5.5 |
| 2019-20 | 10,771,157,101 | 0 | 5,470,760 | 10,776,627,861 | 5.4 |
| 2020-21 | 11,346,010,749 | 0 | 7,443,702 | 11,353,454,451 | 5.4 |
| 2021-22 | 11,835,953,617 | 0 | 8,848,566 | 11,844,802,183 | 4.3 |

*Source: California Municipal Statistics, Inc.*

***Factors Relating to Increases/Decreases in Assessed Value.*** Economic Conditions; Disasters. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters such as earthquakes, fires, floods and drought, and other consequences of climate change. Seismic activity is also a risk in the region where the District is located.

The State has experienced drought conditions in recent years, including a period of drought followed by record-level precipitation in late 2016 and early 2017 which resulted in related severe flooding and mudslides in certain regions. As of July 5, 2022, the U.S. Drought Monitor indicates that the State is classified as experiencing mostly severe to extreme drought conditions, with certain parts of the State experiencing exceptional drought conditions. The County is primarily in the severe drought category. During 2021, Governor Newsom proclaimed a drought state of emergency for all counties in the State, culminating with his October 19, 2021 proclamation, urging Californians to step up their water conservation efforts. In January 2022, the State Water Board adopted emergency regulations aimed at saving water and raising drought awareness, with prohibitions focused on reducing outdoor water use, enforceable by local agencies and the State Water Board, generally with warning letters, mandatory water use audits, and fines. Local agencies can impose and enforce their own drought conservation rules.

Seismic activity is also a risk in the region where the District is located. Significant portions of the District lie below Crystal Springs Reservoir and in the event there was damage to the dam, it could result in flooding and other damage to properties in the District.

Global Pandemic/Disease. The COVID-19 pandemic is continuing. All of the consequences of the pandemic, including direct or indirect impacts on property values, cannot be predicted. For disclosure relating to the COVID-19 pandemic, see also "SECURITY FOR THE BONDS – Disclosure Relating to COVID-19 Pandemic." The District cannot predict the possibility of future outbreaks of disease and related impacts.

Future Conditions Unknown. The District cannot predict or make any representations regarding the effects that disasters or related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

***Assessed Valuation by Jurisdiction.*** The following table shows the assessed valuation by jurisdiction in the District.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Assessed Valuation by Jurisdiction**
**Fiscal Year 2021-22**

| Jurisdiction: | Assessed Valuation in School District | % of School District | Assessed Valuation of Jurisdiction | % of Jurisdiction in School District |
|---|---|---|---|---|
| City of Burlingame | $16,249,095 | 0.14% | $13,767,283,251 | 0.12% |
| Town of Hillsborough | $11,828,446,712 | 99.86% | $11,830,264,849 | 99.98% |
| City of San Mateo | $106,376 | 0.00% | $31,991,262,076 | 0.00% |
| Total District | $11,844,802,183 | 100.00% | | |
| San Mateo County | $11,844,802,183 | 100.00% | $266,359,104,766 | 4.45% |

*Source: California Municipal Statistics, Inc.*

***Assessed Valuation by Land Use.*** The table below shows the land use of property within the District, as measured by assessed valuation and the number of parcels for fiscal year 2021-22. As shown, the majority of the District's assessed valuation is represented by residential property.

### HILLSBOROUGH CITY SCHOOL DISTRICT
### Local Secured Property Assessed Valuation and Parcels by Land Use
### Fiscal Year 2021-22

| | 2021-22 Assessed Valuation (1) | % of Total | No. of Parcels | % of Total | No. of Taxable Parcels | % Total |
|---|---|---|---|---|---|---|
| Non-Residential: | | | | | | |
| Recreational | $11,555,440 | 0.10% | 6 | 6.00% | 7 | 0.17% |
| Government/Social/Institutional | $0 | 0.00 | 45 | 1.10 | 0 | 0.00 |
| Miscellaneous/Water Services | 1,609,833 | 0.01 | 13 | 0.32 | 13 | 0.32 |
| Subtotal Non-Residential | $13,165,273 | 0.11% | 64 | 1.57% | 20 | 0.50% |
| Residential: | | | | | | |
| Single Family Residence | $11,728,249,596 | 99.09% | 3,904 | 95.73% | 3,902 | 97.06% |
| Miscellaneous Residential | 4,311,507 | 0.04 | 3 | 0.07 | 3 | 0.07 |
| Subtotal Residential | $11,732,561,103 | 99.13% | 3,907 | 95.81% | 3,905 | 97.14% |
| Vacant Parcels | $90,227,241 | 0.76% | 107 | 2.62% | 95 | 2.36% |
| Total | $11,835,953,617 | 100.00% | 4,078 | 100.00% | 4,020 | 100.00% |

(1) Local secured assessed valuation; excluding tax-exempt property.
*Source: California Municipal Statistics, Inc.*

*[Remainder of page intentionally left blank]*

***Assessed Valuation of Single-Family Residential Parcels.*** The table below shows the breakdown of the assessed valuations of improved single-family residential parcels in the District for fiscal year 2021-22, including the median and average assessed value per parcel.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Per Parcel Assessed Valuation of Single Family Homes**
**Fiscal Year 2021-22**

| | No. of Parcels | 2021-22 Assessed Valuation | Average Assessed Valuation | Median Assessed Valuation |
|---|---|---|---|---|
| **Single Family Residential** | 3,902 | $11,728,249,596 | $3,005,702 | $2,574,865 |

| 2021-22 Assessed Valuation | No. of Parcels (1) | % of Total | Cumulative % of Total | Total Valuation | % of Total | Cumulative % of Total |
|---|---|---|---|---|---|---|
| $0 - $199,999 | 12 | 0.308% | 0.308% | $2,277,857 | 0.019% | 0.019% |
| $200,000 - $399,999 | 284 | 7.278 | 7.586 | 85,697,544 | 0.731 | 0.750 |
| $400,000 - $599,999 | 174 | 4.459 | 12.045 | 85,538,686 | 0.729 | 1.479 |
| $600,000 - $799,999 | 122 | 3.127 | 15.172 | 86,242,738 | 0.735 | 2.215 |
| $800,000 - $999,999 | 142 | 3.639 | 18.811 | 128,818,943 | 1.098 | 3.313 |
| $1,000,000 - $1,199,999 | 178 | 4.562 | 23.373 | 195,875,644 | 1.670 | 4.983 |
| $1,200,000 - $1,399,999 | 171 | 4.382 | 27.755 | 222,330,186 | 1.896 | 6.879 |
| $1,400,000 - $1,599,999 | 154 | 3.947 | 31.702 | 230,107,731 | 1.962 | 8.841 |
| $1,600,000 - $1,799,999 | 148 | 3.793 | 35.495 | 250,442,306 | 2.135 | 10.976 |
| $1,800,000 - $1,999,999 | 142 | 3.639 | 39.134 | 269,466,288 | 2.298 | 13.274 |
| $2,000,000 - $2,199,999 | 159 | 4.075 | 43.209 | 334,327,063 | 2.851 | 16.125 |
| $2,200,000 - $2,399,999 | 142 | 3.639 | 46.848 | 326,429,074 | 2.783 | 18.908 |
| $2,400,000 - $2,599,999 | 149 | 3.819 | 50.666 | 373,617,888 | 3.186 | 22.093 |
| $2,600,000 - $2,799,999 | 179 | 4.587 | 55.254 | 482,259,932 | 4.112 | 26.205 |
| $2,800,000 - $2,999,999 | 121 | 3.101 | 58.355 | 351,009,066 | 2.993 | 29.198 |
| $3,000,000 - $3,199,999 | 155 | 3.972 | 62.327 | 480,912,769 | 4.100 | 33.299 |
| $3,200,000 - $3,399,999 | 145 | 3.716 | 66.043 | 477,527,303 | 4.072 | 37.370 |
| $3,400,000 - $3,599,999 | 135 | 3.460 | 69.503 | 472,770,908 | 4.031 | 41.401 |
| $3,600,000 - $3,799,999 | 118 | 3.024 | 72.527 | 436,805,466 | 3.724 | 45.126 |
| $3,800,000 - $3,999,999 | 107 | 2.742 | 75.269 | 417,015,884 | 3.556 | 48.681 |
| $4,000,000 and greater | 965 | 24.731 | 100.000 | 6,018,776,320 | 51.319 | 100.000 |
| | 3,902 | 100.000% | | $11,728,249,596 | 100.000% | |

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple-family units.
*Source: California Municipal Statistics, Inc.*

## Reassessments and Appeals of Assessed Value

Reassessment or appeals of assessed values could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" in Appendix A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the 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. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

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. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

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.

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or blanket reassessments initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds) may be paid.

**Tax Rates**

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities for property in the District which lies in Tax Rate Area 6-001 during fiscal years 2017-18 through 2021-22.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Typical Tax Rates per $100 of Assessed Valuation**
**(Tax Rate Area 6-001) (1)**
**Fiscal Years 2017-18 through 2021-22**

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|
| General Tax Rate | $1.0000 | $1.0000 | $1.0000 | $1.0000 | $1.0000 |
| San Mateo Union High School District | .0433 | .0407 | .0385 | .0449 | .0488 |
| San Mateo Community College District | .0235 | .0175 | .0266 | .0213 | .0227 |
| Hillsborough School District | .0276 | .0271 | .0292 | .0289 | .0297 |
| Total Tax Rate | $1.0944 | $1.0853 | $1.0943 | $1.0951 | $1.1012 |

(1) 2021-22 assessed valuation of TRA 6-001 is $11,292,613,285 representing 95.34% of the District's total assessed valuation.
*Source: California Municipal Statistics, Inc.*

**Tax Levies and Delinquencies**

The Board of Supervisors of the County has adopted 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 California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, the County includes general obligation bond levies, including for general obligation bonds issued by the District, in its Teeter Plan.

So long as the Teeter Plan remains in effect and the County continues to include the District in the Teeter Plan, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors of the County could, under certain circumstances, terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors of the County could terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan was terminated in the County with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes within the County and delinquency rates experienced with respect to the parcels within the District. With respect to general obligation bonds, county assessors are authorized to levy taxes sufficient to pay debt service on bonds coming due, including at a rate that will provide for a reserve in the event of delinquencies. The District cannot represent the sufficiency of any such reserve to the extent necessary to cover delinquent taxes, to the extent the Teeter Plan were amended or discontinued.

The District cannot provide any assurances that the County will continue to maintain the Teeter Plan described above, 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 outbreak of disease or natural or manmade disaster, including earthquakes, firestorms, and other conflagrations. See "SECURITY FOR THE BONDS – Disclosure Relating to COVID-19 Pandemic."

Furthermore, the District cannot predict the impact, if any, that changes or modifications to property tax collection procedures, might have on the County's Teeter Plan. See "PROPERTY TAXATION – Property Tax Collection Procedures" herein.

Notwithstanding that the Teeter Plan currently provides for timely collection of the District's share of property taxes including taxes securing general obligation bonds, the following table shows tax charges, collections and delinquencies for secured property in the District with respect to the one percent general fund apportionment.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Secured Tax Charges and Delinquencies**
**Fiscal Years 2014-15 through 2020-21**

| Fiscal Year | Secured Tax Charge (1) | Amount Delinquent June 30 | Percent Delinquent June 30 |
|---|---|---|---|
| 2014-15 | $2,118,706.14 | $14,561.75 | 0.69% |
| 2015-16 | 2,231,696.93 | 11,002.50 | 0.49 |
| 2016-17 | 1,795,569.75 | 23,310.50 | 1.30 |
| 2017-18 | 2,670,148.69 | 54,868.74 | 2.05 |
| 2018-19 | 2,767,084.21 | 51,826.81 | 1.87 |
| 2019-20 | 3,139,448.99 | 70,592.96 | 2.25 |
| 2020-21 | 3,273,645.48 | 62,112.69 | 1.90 |

(1) Debt service levy only.
*Source: California Municipal Statistics, Inc.*

## Major Taxpayers

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations for fiscal year 2021-22.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Largest 2021-22 Local Secured Taxpayers**

| | Property Owner | Primary Land Use | 2021-22 Assessed Valuation | % of Total (1) |
|---|---|---|---|---|
| 1. | Carolands Foundation | Residential | $147,917,402 | 1.25% |
| 2. | Alpha Yield Holdings Ltd. | Residential | 34,185,761 | 0.29 |
| 3. | Vicky Cheung | Residential | 27,982,530 | 0.24 |
| 4. | Theodore H. Kruttschnitt | Residential | 26,003,715 | 0.22 |
| 5. | Delight Wise Investments Ltd. | Residential | 25,315,390 | 0.21 |
| 6. | Gatsby LLC | Residential | 25,050,926 | 0.21 |
| 7. | Peter Spiro Stamos Trust | Residential | 21,109,877 | 0.18 |
| 8. | Adakite 1031 LLC | Residential | 20,693,937 | 0.17 |
| 9. | 899 Sharon Avenue LLC | Residential | 18,848,550 | 0.16 |
| 10. | 123 New Place LLC | Residential | 18,563,570 | 0.16 |
| 11. | August Moon 1971 LLC | Residential | 18,346,631 | 0.16 |
| 12. | Michael and Joyce Luk Chiou | Residential | 16,492,931 | 0.14 |
| 13. | Stuart McLaughlin | Residential | 16,225,000 | 0.14 |
| 14. | Wei Wu | Residential | 15,985,749 | 0.14 |
| 15. | Irwin Drive LLC | Residential | 15,861,111 | 0.13 |
| 16. | Three Diamond Partners | Residential | 15,700,000 | 0.13 |
| 17. | Jeffrey Wilson Trust | Residential | 15,458,507 | 0.13 |
| 18. | George Hsu Trust | Residential | 15,026,320 | 0.13 |
| 19. | Orpheus Prime LLC | Residential | 15,010,829 | 0.13 |
| 20. | Kenneth Y. Hao | Residential | 14,701,243 | 0.12 |
| | | | $524,479,979 | 4.43% |

(1) 2021-22 local secured assessed valuation: $11,835,953,617.

**Direct and Overlapping Debt**

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of August 1, 2022. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Statement of Direct and Overlapping Bonded Debt**
**Dated as of August 1, 2022**

**2021-22 Assessed Valuation**: $11,844,802,183

| **DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:** | **% Applicable** | **Debt 8/1/22** |
|---|---|---|
| San Mateo Community College District | 4.447% | $32,636,408 |
| San Mateo Union High School District | 13.090 | 87,078,719 |
| **Hillsborough City School District** | **100.000** | **70,535,378**(1) |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $190,250,505 |
| | | |
| **OVERLAPPING GENERAL FUND DEBT:** | | |
| San Mateo County General Fund Obligations | 4.447% | $26,651,791 |
| San Mateo County Board of Education Certificates of Participation | 4.447 | 288,610 |
| City of Burlingame Certificates of Participation | 0.118 | 43,772 |
| City of Burlingame Pension Obligations | 0.118 | 8,077 |
| San Mateo County Mosquito and Vector Control General Fund Obligations | 4.447 | 160,885 |
| TOTAL GROSS OVERLAPPING GENERAL FUND DEBT | | $27,153,135 |
| Less: City of Burlingame supported obligations | | 2,019 |
| TOTAL NET OVERLAPPING GENERAL FUND DEBT | | $27,151,116 |
| | | |
| GROSS COMBINED TOTAL DEBT | | $217,403,640(2) |
| NET COMBINED TOTAL DEBT | | $217,401,621 |

**Ratios to 2021-22 Assessed Valuation**:

| | |
|---|---|
| **Direct Debt ($70,535,378)** | **0.60%** |
| Total Overlapping Tax and Assessment Debt | 1.61% |
| Gross Combined Total Debt | 1.84% |
| Net Combined Total Debt | 1.84% |

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

## TAX MATTERS

***Federal Tax Status***. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

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

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

***California Tax Status.*** In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

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

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

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

***Form of Opinion***. A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX D.

## CERTAIN LEGAL MATTERS

### Legality for Investment

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

### Absence of Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Bonds.

The District is subject to lawsuits and claims that have arisen and may arise in the normal course of operating the District, including as a result of the COVID-19 pandemic. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under existing lawsuits and claims will not materially affect the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

**Disclaimer Regarding Cyber Risks**

The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. ***[TO BE CONFIRMED:]*** The District has never had a major cyber breach that resulted in a financial loss. No assurance can be given that the District's current efforts to manage cyber threats and security will, in all cases, be successful. The District maintains standard insurance coverage for losses due to cyber events. The District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of *ad valorem* property taxes, as well as other trustees, fiscal agents and dissemination agents. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

**Compensation of Certain Professionals**

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, Norton Rose Fulbright US LLP, Los Angeles, California, as Underwriter's Counsel, and Isom Advisors, a Division of Urban Futures, Inc., as Municipal Advisor to the District, is contingent upon issuance of the Bonds.

## CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as Appendix E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an **"Annual Report"**) not later than March 31 of each year, commencing March 31, 2023 with the report for the 2021-22 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board (the **"MSRB"**). The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has made prior undertakings under the Rule. Instances of noncompliance in the previous five years are ___________. *[TO BE COMPLETED BASED ON UW THIRD PARTY SURVEY OF PRIOR FIVE YEARS]*

The District currently serves as its own dissemination agent and plans to act as such for the Bonds and its other undertakings.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

## RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") has assigned a rating of "__" to the Bonds. The District has provided certain additional information and materials to S&P (some of which has been determined not to be material to making an investment decision in the Bonds and does not appear in this Official Statement). Such rating reflects only the views of S&P and explanations of the significance of such rating may be obtained only from S&P. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in S&P's judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

## UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $________ which is equal to the initial principal amount of the Bonds of $________, plus original issue premium of $________ less an Underwriter's discount of $________.

The bond purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

## ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the Underwriter and following delivery of the Bonds will be on file at the offices of the Paying Agent in Dallas, Texas.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

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 Bonds.

## EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the District.

**HILLSBOROUGH CITY SCHOOL DISTRICT**

By: ______________________________
Superintendent

# APPENDIX A

## DISTRICT GENERAL AND FINANCIAL INFORMATION

*The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable by the District solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" herein.*

## GENERAL DISTRICT INFORMATION

### General Information

The Hillsborough City School District (the "**District**") is located in the Town of Hillsborough (the **"Town"**) in the County of San Mateo (the **"County"**), in the State of California (the "**State**"). The District was established as a school district in 1910 and is located in the suburban community of Hillsborough on the San Francisco Peninsula. The students are housed in four schools: North School, South School, West School and Crocker Middle School. The District's average daily attendance is budgeted for approximately 1,253 students in fiscal year 2022-23, and there are no charter schools operating in District boundaries. The following table identifies the school sites operated by the District.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**School Sites**

•North Elementary School• •South Elementary School• •West Elementary School•

•Crocker Middle School•

### Basic Aid Funding Status

For purposes of education funding, the District has been a **"Basic Aid"** or "**Community Supported District"** since the 1990-91 fiscal year, meaning that the District's share of local property taxes has in each year since that time exceeded its funding entitlement under the State's education funding formula (**"LCFF"** as described in more detail herein). As such, it is entitled to keep its full share of local property taxes, including the amount which exceeds its funding entitlement under LCFF. For fiscal year 2022-23, it is projected that the District will be funded at approximately 189% of what it would receive if it were funded under the State's LCFF formula. The District currently anticipates continuing to maintain its status as a Community Supported District in the foreseeable future. For more information on the District's Basic Aid status, see "DISTRICT FINANCIAL INFORMATION -Basic Aid/Community Supported District" below.

## Administration

***Board of Trustees.*** The District is governed by a five-member Board of Trustees, with each member elected at-large to a four-year term. Elections for positions on the Board of Trustees are held every two years, alternating between two and three available positions. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Board of Trustees**

| Name | Office | Term Expires |
|---|---|---|
| An Huang Chen | President | December 2022 |
| Kim Oliff | Vice President | December 2024 |
| Greg Dannis | Clerk | December 2024 |
| Don Geddis | Member | December 2022 |
| Gilbert Wai | Member | December 2022 |

***Administration***. The Superintendent of the District is appointed by the Board of Trustees and is responsible for management of the day-to-day operations and supervises the work of other District administrators. Louann Carlomagno serves as the Superintendent and Joyce Shen, serves as the Chief Business Official of the District.

## Recent Enrollment Trends

The following table shows enrollment and average daily attendance history for the District since fiscal year 2015-16 with budgeted figures for fiscal year 2022-23.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Annual Enrollment and Average Daily Attendance**
**Fiscal Years 2015-16 through 2022-23 (Budgeted)**

| School Year | Enrollment | Percent Change | ADA | Percent Change |
|---|---|---|---|---|
| 2015-16 | 1,495 | --% | 1,462 | --% |
| 2016-17 | 1,483 | -(0.8) | 1,428 | (2.3) |
| 2017-18 | 1,405 | -(5.3) | 1,354 | (5.2) |
| 2018-19 | 1,352 | -(3.8) | 1,308 | (3.4) |
| 2019-20* | 1,290 | -(4.6) | 1,244 | (4.9) |
| 2020-21* | 1,268 | -(1.7) | 1,244 | 0.0 |
| 2021-22(1) | 1,260 | -(0.6) | 1,212 | (2.6) |
| 2022-23(1) | 1,314 | 4.3 | 1,253 | 3.4 |

*The COVID-19 pandemic commenced in Spring of 2020. State legislation included a hold harmless provision for related declines in ADA for certain years. ADA figures for these years represent ADA for budgeting purposes and not actual ADA. As a Basic Aid district, ADA does not impact the District's funding levels.
(1) Estimated Actuals/Budgeted. Enrollment projection for 2022-23 reflects an increase due to the State-mandated implementation of transitional kindergarten and pre-kindergarten classes.
*Source: California Department of Education; Hillsborough City School District.*

## District's Response to COVID-19 Pandemic

To reduce the potential for community transmission of COVID-19 and in accordance with all official recommendations, guidelines and mandates, the District closed its facilities with respect to in-person instruction in March 2020. Thereafter, distance learning was implemented, which extended through the end of the 2019-20 academic year. The 2020-21 academic year commenced in distance learning mode but a portion of the academic year was a hybrid of in-person and remote learning. The 2021-22 academic year commenced in person with an independent study option in accordance with legal requirements, and the same is expected for the academic year 2022-23.

The District has received and/or been allocated a total combined amount of approximately $___ million from combined State and federal programs to address expenses arising from the COVID-19 pandemic. These funds will be spent in accordance with applicable guidelines, generally by no later than September 30, 2024. The District has spent a significant amount of funds increasing the purchase of online platforms and subscriptions to meet the needs of its students, hired qualified persons to provide mental health services, and funded a long-term substitute teacher to mitigate concerns regarding the spread of COVID-19, among others.

The District will make adjustments as needed to its programs to respond to mandates and directions from governing authorities. The District cannot predict the full impacts that the COVID-19 pandemic may have had or will continue to have, either directly or indirectly, on its operations, including its finances, property values and other matters. See also information herein under the heading "SECURITY FOR THE BONDS - Disclosure Relating to COVID-19 Pandemic."

## Employee Relations

The District has approximately 112.8 full-time equivalent (**"FTE"**) certificated (non-management) positions, 51.6 FTE classified (non-management) positions and 15 FTE management, supervisor and confidential positions. These employees, except management and some part-time employees, are represented by the bargaining units summarized below.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**Summary of Labor Organizations**
**[TO BE UPDATED AS APPROPRIATE]**

| Labor Organization | Groups Represented | Contract Expiration Date |
|---|---|---|
| Hillsborough Teachers Association | Certificated personnel, except psychologists, administrators and certificated substitutes | June 30, 2022 |
| California School Employees Association | Classified personnel, except the Superintendent, Chief Business Official, confidential employees and classified substitutes | June 30, 2022 |

*Source: Hillsborough City School District.*

## Insurance

The District participates in a joint venture under a joint powers agreement ("**JPA**") with San Mateo County Schools Insurance Group for property and liability and workers' compensation insurance. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

*[Remainder of page intentionally left blank]*

## DISTRICT FINANCIAL INFORMATION

### Education Funding Generally

School districts in California (the "**State**") receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of a District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between a District's revenue limit and its local property tax revenues. Districts which had local property tax revenues that exceeded their revenue limit entitlements were deemed a "Basic Aid District" and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded their revenue limit funding entitlement.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the **"LCFF"**). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, 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 grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 65% (which was increased from 50% as part of the State's trailer bill to the 2021-22 State Budget - Assembly Bill 130) of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, 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 legislation implementing LCFF also included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its fiscal year 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

Funding levels used in the LCFF entitlement calculations for fiscal year 2022-23 are set forth in the following table.

**Fiscal Year 2022-23 Base Grant Funding* Under LCFF by Grade Span**

| Entitlement Factor | K-3 | 4-6 | 7-8 | 9-12 |
|---|---|---|---|---|
| A. 2021-22 Base Grant per ADA | $8,093 | $8,215 | $8,458 | $9,802 |
| B. Base Grant Adjustment (A x 6.28%) | $508 | $516 | $531 | $616 |
| C. 2022-23 COLA for LCFF (A x 6.56%) | $532 | $539 | $555 | $643 |
| D. 2022-23 Base Grant per ADA before Grade Span Adjustments (A+B+C) | $9,132 | $9,270 | $9,544 | $11,061 |
| E. Grade Span Adjustments (K-3: D x 10.4%; 9-12: D x 2.6%) | $950 | Not applicable | Not applicable | $288 |
| F. 2022-23 Base Grant/Adjusted Base Grant per ADA (D + E) | $10,082 | $9,270 | $9,544 | $11,349 |

*Add-ons to the Base Grant, as may be applicable, are: (1) Supplemental Grant: For the supplemental grant funding entitlement, for each grade span, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times Unduplicated Pupil Percentage, times 20%, (2) Concentration Grant: For the concentration grant funding entitlement, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times portion of Unduplicated Pupil Percentage that exceeds 55%, times 65%, and (3) Transitional Kindergarten Add-On: For the TK add-on funding, the amount is the rate of $2,813 times the school district's current year TK ADA.
*Source: California Department of Education.*

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income students, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California

Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Basic Aid or Community Supported Districts are school districts which have local property tax revenues which exceed such district's funding entitlement under LCFF. As such, in lieu of State funding under LCFF, Basic Aid districts are entitled to keep the full share of local property tax revenues, even the amount which exceeds its funding entitlement under LCFF. The District's funding formula is as a Basic Aid district, as further described in the following paragraph.

**Basic Aid/Community Supported District**

The District has consistently been a Basic Aid district for purposes of State general purpose education funding since fiscal year 1990-91. As a Basic Aid district, the District does not receive a general purpose revenue limit entitlement from the State, but instead is entitled to keep its share of local property taxes in excess of the funding entitlement under LCFF. In fiscal year 2022-23, the District anticipates approximately $13,263,820 more in funding entitlement as a Basic Aid district than it would receive if it were funded as a LCFF-funded school district. Continuing in Basic Aid status is in part a function of student enrollment figures and property value growth in the District. With enrollment and assessed valuation expected to increase, the District expects to continue to have local property tax revenue in excess of its LCFF entitlement in fiscal year 2022-23 and for the near and far future.

**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 California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

## Financial Statements

***General***. 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. The District's audited financial statements for the fiscal year 2020-21 were prepared by Chavan & Associates, San Jose, California. Audited financial statements for the District for the fiscal year ended June 30, 2021, and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix B hereto for the 2020-21 audited financial statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District and are also freely accessible online at the Electronic Municipal Market Access website operated by the Municipal Securities Rulemaking Board (emma.msrb.org) in connection with the District's annual report filings for its bonds (see description of annual report filings in the front portion of this Official Statement under the caption "Continuing Disclosure"). Reference to the foregoing web site does not incorporate its contents herein by reference. The District has not requested nor did the District obtain permission from its auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the auditor has not performed any post-audit review of the financial condition or operations of the District.

*[Remainder of page intentionally left blank]*

***General Fund Revenues, Expenditures and Changes in Fund Balance***. The District's general fund is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. The following table shows the audited income and expense statements for fiscal years 2016-17 through 2020-21.

**GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**Fiscal Year 2016-17 and 2020-21 (Audited)**
**Hillsborough City School District**

| Revenues | Audited 2016-17 | Audited 2017-18 | Audited 2018-19 | Audited 2019-20 | Audited 2020-21 |
|---|---|---|---|---|---|
| LCFF Sources | $19,248,146 | $20,270,044 | $21,299,567 | $22,492,701 | $23,596,765 |
| Federal Revenues | 285,659 | 269,788 | 267,918 | 265,796 | 766,764 |
| Other State Revenues | 1,854,911 | 1,872,298 | 3,095,672 | 2,345,413 | 2,400,410 |
| Other Local Revenues | 6,374,164 | 6,544,803 | 6,845,453 | 6,658,705 | 6,116,697 |
| Total Revenues | 27,762,880 | 28,956,933 | 31,508,610 | 31,762,615 | 32,880,636 |
| | | | | | |
| Expenditures | | | | | |
| Instruction | 19,667,672 | 19,344,101 | 20,847,226 | 21,304,772 | 22,197,933 |
| Instruction-Related Activities: | | | | | |
| Supervision of Instruction | 1,399,377 | 1,241,434 | 1,450,912 | 1,473,049 | 1,419,989 |
| Instructional Library, Media and Tech. | 133,461 | 132,186 | 159,034 | 121,747 | 116,807 |
| School Site Administration | 1,404,096 | 1,450,168 | 1,608,411 | 1,593,664 | 1,650,118 |
| Pupil Services: | | | | | |
| Home-to-School Transport | 170,294 | 84,393 | 34,089 | 84,455 | 75,748 |
| Food Services | -- | -- | -- | -- | -- |
| All Other Pupil Services | 773,156 | 877,769 | 954,631 | 976,164 | 1,066,373 |
| General Administration: | | | | | |
| Data Proc. | 335,801 | 318,122 | 494,098 | 648,711 | 743,086 |
| All Other General Administration | 1,414,539 | 1,492,407 | 1,733,654 | 1,926,804 | 1,754,993 |
| Plant Services | 2,171,416 | 2,571,986 | 2,681,921 | 2,671,590 | 3,007,301 |
| Facilities Acquisition and Construction | -- | 55,711 | -- | 289,734 | 419,263 |
| Community Services | 213,829 | 260,777 | 280,843 | 279,638 | 293,600 |
| Transfers between agencies | 37,668 | 94,292 | 144,410 | 188,483 | 164,959 |
| Debt Service: Principal | 50,534 | 50,534 | 50,534 | 56,513 | 56,429 |
| Debt Service: Interest | 75,708 | 58,818 | 36,854 | 21,439 | 13,292 |
| Total Expenditures | 27,847,551 | 28,032,698 | 30,476,617 | 31,636,763 | 32,979,891 |
| | | | | | |
| Excess of Revenues Over/(Under) Expenditures | (84,671) | 924,235 | 1,031,993 | 125,852 | ( 99,255) |
| | | | | | |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers in | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 |
| Other Sources | -- | -- | -- | -- | -- |
| Operating Transfers out | -- | -- | -- | (15,000) | -- |
| Total Other Financing Sources (Uses) | 80,000 | 80,000 | 80,000 | 65,000 | 80,000 |
| | | | | | |
| Net Change in Fund Balance | (4,671) | 1,004,235 | 1,111,993 | 190,852 | (19,255) |
| | | | | | |
| Prior Period Adjustment-GASB 84 | -- | -- | -- | -- | 43,516 |
| | | | | | |
| Fund Balance, July 1 | 6,029,185 | 6,024,514 | 7,028,749 | 8,140,742 | 8,331,594 |
| Fund Balance, June 30 | $6,024,514 | $7,028,749 | $8,140,742 | $8,331,594 | $8,355,855 |

*Source: Hillsborough City School District Audit Reports.*

## District Budget and Interim Financial Reporting

***District Budget Process.*** State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the San Mateo County Superintendent of Schools, which is part of the organizational structure of the California Department of Education (not the County of San Mateo) (the **"County Superintendent"**).

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to 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 with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction (the **"State Superintendent"**) and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 (**"AB 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of AB 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) 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 fiscal year. The County Superintendent 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 the subsequent two fiscal years. A negative certification is assigned to any school district that is deemed 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.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

The Bonds are general obligation instruments approved by the voters.

***District's Budget Approval/Disapproval and Certification History.*** In the past five years, each of the District's interim reports has been certified as positive and each of its budgets has been approved by the County Superintendent.

Copies of the District's budgets, interim reports and certifications may be obtained upon request from the District. The District may impose charges for copying, mailing and handling.

*[Remainder of page intentionally left blank]*

***District's Fiscal Year 2021-22 and 2022-23 Estimated Actuals and Adopted Budget.*** The following table shows the income and expense statements for the District for fiscal years 2021-22 and 2022-23 (estimated actuals and adopted budget).

**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**Fiscal Year 2021-22 and 2022-23 (Estimated Actuals and Adopted Budget)[1]**
**Hillsborough City School District**

| | Estimated Actuals 2021-22 | Adopted Budget 2022-23 |
|---|---|---|
| **Revenues** | | |
| LCFF Sources | $24,677,635 | $26,383,834 |
| Federal revenues | 710,647 | 325,502 |
| Other state revenues | 3,291,160 | 4,185,275 |
| Other local revenues | 6,730,052 | 7,330,028 |
| Total Revenues | 35,409,495 | 38,224,639 |
| **Expenditures** | | |
| Certificated Salaries | 17,350,633 | 17,556,727 |
| Classified Salaries | 4,533,012 | 4,906,732 |
| Employee Benefits | 9,107,684 | 9,800,933 |
| Books and Supplies | 1,223,269 | 1,241,211 |
| Services and Other Operating Expenditures | 3,630,200 | 3,887,714 |
| Capital Outlay | 492,829 | 178,075 |
| Other Outgo (excl. transfers of Ind. Costs) | 227,913 | 227,913 |
| Other Outgo-Transfers of Indirect Costs | -- | -- |
| Total Expenditures | 36,565,541 | 37,799,304 |
| Excess of Revenues Over/(Under) Expenditures | (1,156,046) | 425,334 |
| **Other Financing Sources (Uses)** | | |
| Interfund Transfers In | 80,000 | 80,000 |
| Interfund Transfers Out | (135,000) | (135,000) |
| Other Sources/Uses | -- | -- |
| Total Other Financing Sources (Uses) | (55,000) | (55,000) |
| Net Change in Fund Balance | (1,211,046) | 370,334 |
| Fund Balance, July 1 | 6,380,611 | 5,384,694 |
| Other Restatements | 215,129 | -- |
| Adjusted Beginning Balance | 6,595,740 | -- |
| Fund Balance, June 30* | $5,384,694 | $5,755,028 |

(1) Budget documents do not account for reserves held outside of the general fund. Such reserves are presented as part of the general fund in the audited financial statements summarized in the preceding table.
*Columns may not sum to totals due to rounding.
*Source: Hillsborough City School District.*

***District Reserves.*** The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District Board has formally established a minimum fund balance policy requiring a reserve for economic uncertainties of no less than 6% of general fund total expenditures and other financing uses. The District maintains an unrestricted reserve which meets these minimum requirements. See also above discussion under the heading "DISTRICT FINANCIAL INFORMATION - District Budget and Interim Financial Reporting - District's Budget Approval/Disapproval and Certification History."

Under State law (Education Code Section 42127.01), there are certain restrictions on the amount of reserves that can be maintained by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or school districts funded as Basic Aid school districts. When applicable, the reserve cap requires that a school district's adopted or revised budget shall not contain a combined assigned or unassigned ending general fund balance of more than 10% of those funds. The applicability of the reserve cap is based on the balance in the State's Public School System Stabilization Account and is triggered in a fiscal year when the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multiyear infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap. The reserve cap has been triggered for fiscal year 2022-23 and as such, for school districts to which it applies, the cap must be taken into account in its budgeting documents or an exemption must be sought. The District is exempt from the reserve cap as a small school district and as a Basic Aid school district.

**Attendance - LCFF Funding**

Funding Trends. As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target.

As previously described herein, the District is a Basic Aid district, with most funding derived from its share of local property taxes and not allocated to it by the State under LCFF. The following table sets forth education funding trends in the District for fiscal years 2015-16 through 2022-23 (projected), not including other sources such as federal and local sources.

**FUNDING TRENDS - ADA AND BASIC AID FUNDING**
**Fiscal Years 2015-16 through 2022-23**
**Hillsborough City School District**

| Fiscal Year | ADA(1) | Total Basic Aid Funding |
|---|---|---|
| 2015-16 | 1,462 | $17,864,915 |
| 2016-17 | 1,428 | 19,248,147 |
| 2017-18 | 1,354 | 20,270,045 |
| 2018-19 | 1,308 | 21,299,567 |
| 2019-20 | 1,244 | 22,492,701 |
| 2020-21 | 1,244 | 23,596,765 |
| 2021-22(2) | 1,212 | 24,677,635 |
| 2022-23(2) | 1,253 | 26,383,834 |

(1) The District is a Basic Aid district. As Basic Aid, funding entitlement is not based on ADA but the District is entitled to keep its share of local property taxes which exceed its LCFF funding entitlement.
(2) Estimated Actuals and Budgeted.
*Source: California Department of Education; Hillsborough City School District.*

Targeted Student Enrollment. The District has a Target Student unduplicated count of approximately 4.19%, and as such, if it were funded under LCFF, it would not be entitled to supplemental or concentration grant funding under the LCFF funding formula.

**Revenue Sources**

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

***LCFF Sources***. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in fiscal year1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it was entitled to. Furthermore, if a school district's share of local property tax revenues exceeded the revenue limit, the school district was deemed a "Basic Aid" district, and entitled to keep the full share of local property taxes, even if they exceeded the revenue limit which would have been provided through State funding.

School districts which were "Basic Aid" prior to implementation of the LCFF, provided that the per pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues, are entitled to retain their status as Basic Aid and keep their full local property tax revenue entitlement. The threshold for Basic Aid status under the LCFF, however, is higher than under the prior funding formula, resulting in some district falling out of Basic Aid status as the result of the implementation of the LCFF. Accountability measures contained in the LCFF must be implemented by all districts, including Basic Aid districts.

***Federal Revenues***. The federal government provides funding for several District programs, including special education programs, programs under Every Student Succeeds Act, the Individuals with Disabilities Education Act, and specialized programs such as Drug Free Schools.

***Other State Revenues***. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's LCFF funding entitlement and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over fiscal year 1997-98 levels must be restricted to use on instruction material.

For additional discussion of State aid to school districts, see "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - State Funding of Education Generally."

***Other Local Revenues.*** In addition to local property tax revenues, the District receives significant additional local revenues from a nonprofit foundation (the **"Foundation"**), a voter-approved parcel tax (the **"Parcel Tax"**) and inter-agency services:

- The Hillsborough Schools Foundation is a community-based, non-profit, educational foundation that has been in existence for over 35 years. This Foundation raises funds through community activities and events, as well as soliciting donations, and provides critical funding for the District. The Foundation provided $3.4 million in fiscal year 2021-22. The District can use funds collected by the Foundation for any purpose, unless such funds are designated for a specific purpose or a campaign is held to raise money for a specific purpose.

- Voter-Approved Parcel Tax. The District has a voter-approved Parcel Tax, originally approved in 1988, which provides revenues that can be used for any purpose set forth in the voter-approved measure. The Parcel Tax has no sunset provision or ending date, and provides for annual escalators based on increases in the District's appropriations limit, which changes based on the annual percentage change in the State's per capita personal income and the percentage change in the District's average daily attendance. The Parcel Tax can continue to be collected for the District for successive 5-year periods upon the recommendation of a citizen's committee and approval by the District's Board of Trustees. The last 5-year period was approved in May 2022. The amount levied per parcel in fiscal year 2021-22 was $___ per parcel, which is budgeted to produce approximately $2.4 million in revenues in fiscal year 2022-23.

- Hillsborough Recreation. Hillsborough Recreation was established as a joint powers agreement between the District and the Town of Hillsborough. Reimbursement is made to the District for support services to operate and administer the programs, to pay costs to house the recreation programs and to maintain the play fields. Funding to the District was $____ in fiscal year 2021-22, and is budgeted to be $____ in fiscal year 2022-23.

- Interagency Services. In fiscal year 2010-11, the District began providing special education instructional services to other school districts in order to defray some of the costs of its Learning Centers with unused capacity. The District offered this contracted service and entered into a memorandum of understanding with one school district in such interagency program's initial test year. Under the memorandum of understanding, the students served still belong to and are the financial responsibility of their home district. Revenue resulting from such interagency service for fiscal year 2021-22 was $____ and is budgeted at $____ for fiscal year 2022-23.

**District Retirement Systems**

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS 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 either the District or the Underwriters.*

***STRS***. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. The plan is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. The benefit provisions and contribution amounts are established by State laws, as amended from time to time.

Prior to fiscal year 2014-15, contribution rates were constant and not subject to annual variations. K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, and participants contributed 8% of their respective salaries. In September 2013, however, STRS projected that the plan would be depleted in 31 years if existing contribution rates continued and other actuarial assumptions were realized, largely due to significant investment losses.

Assembly Bill 1469 was adopted as part of the State's fiscal year 2014-15 budget (**"AB 1469"**), aimed at fully funding the unfunded actuarial obligation of STRS with respect to service credited to member of STRS prior to July 1, 2014 (the **"2014 Liability"**), within 32 years, by increasing contribution rates of members, K-14 school district employers, and the State. Under AB 1469, employer contributions were steadily increased over seven years, pursuant to the following schedule:

**STRS EMPLOYER CONTRIBUTION RATES**
**PURSUANT TO AB 1469**

| Effective Date | Employer Contribution Rate |
|---|---|
| July 1, 2014 | 8.88% |
| July 1, 2015 | 10.73 |
| July 1, 2016 | 12.58 |
| July 1, 2017 | 14.45 |
| July 1, 2018 | 16.28 |
| July 1, 2019 | 18.13** |
| July 1, 2020* | 19.10** |

*Rate to continue in subsequent years unless modified by the STRS Board.
**Subsequently reduced in connection with State budget acts and related legislation. See following paragraph.
*Source: AB 1469.*

Under AB 1469, the rate of 19.10% in effect as of July 1, 2020 was to continue unless modified by the STRS Board. However, the State legislature subsequently modified employer contribution rates in certain years as part of trailer bills adopted in connection with State budgets. Senate Bill 90 (**"SB 90")** was enacted in connection with the fiscal year 2019-20 State budget, appropriating $2.25 billion to pay in advance part of the employer contributions for fiscal years 2019-20 and 2020-21. The effect was that the employer contribution rate effective July 1, 2019 was 17.10% and effective July 1, 2020 was 18.4%. However, in part in response to expected financial strain caused by the COVID-19 pandemic, the State's 2020-21 budget redirected additional funds to reducing employer contribution rates, resulting in a rate of 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22.

The employer contribution rate will be 19.10% in fiscal year 2022-23 pursuant to AB 1469. The State also continues to contribute to STRS, and its contribution rate in fiscal year 2022-23 is 8.338%.

The District's recent contributions to STRS including the current budgeted fiscal year are set forth in the following table. These contributions represent 100% of the required contribution for each year.

**STRS EMPLOYER CONTRIBUTIONS**
**Hillsborough City School District**
**Fiscal Years 2016-17 through 2022-23**

| Fiscal Year | Amount* |
|---|---|
| 2016-17 | $1,474,138 |
| 2017-18 | 2,003,090 |
| 2018-19 | 2,350,055 |
| 2019-20 | 2,504,484 |
| 2020-21 | 2,564,887 |
| 2021-22** | 4,764,239 |
| 2022-23** | 5,221,060 |

*Increases attributed to increase in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions in governmental funds.
**Estimated Actuals and Budgeted.
*Source: Hillsborough City School District.*

The STRS defined benefit program continues to have an unfunded actuarial liability estimated at approximately $89.7 billion as of June 30, 2021, which is the date of the last actuarial valuation.

***PERS***. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, employers are required to contribute an amount based on an actuarially determined employer rate, and employees make contributions which vary based on their date of hire.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. To address this issue, the PERS board has taken a number of actions, including changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates and adopting changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy incrementally lowering its discount rate (its assumed rate of investment return) in years of good investment returns, to help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. SB 90, and Assembly Bill 84/Senate Bill 111 (**"AB 84"**) of June 2020, directed contributions of $430 million and $330 million in satisfaction of portions of employer contribution rates in fiscal years 2020-21 and 2021-22, respectively. Recent employer contribution rates are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (PERS)**
**Fiscal Years 2019-20 through 2022-23(1)**

| Fiscal Year | Employer Contribution Rate(1) |
|---|---|
| 2019-20 | 19.721% |
| 2020-21 | 20.700 |
| 2021-22 | 22.910 |
| 2022-23 | 25.370 |

(1) Expressed as a percentage of covered payroll.
*Source: PERS*

The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

**PERS EMPLOYER CONTRIBUTIONS**
**Hillsborough City School District**
**Fiscal Years 2016-17 through 2022-23**

| Fiscal Year | Amount |
|---|---|
| 2016-17 | $350,437 |
| 2017-18 | 444,062 |
| 2018-19 | 635,069 |
| 2019-20 | 812,476 |
| 2020-21 | 853,849 |
| 2021-22* | 1,035,094 |
| 2022-23* | 1,225,654 |

*Estimated Actuals and Budgeted
*Source: Hillsborough City School District.*

PERS continues to have an unfunded liability which, on a market value of assets basis, was approximately $24.0 billion as of June 30, 2021, which is the date of the last actuarial valuation.

***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 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

***Additional Information - STRS and PERS.*** Additional information regarding the District's retirement programs is available in Notes 8 and 9 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811.

More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriters for accuracy or completeness.*

## Other Post-Employment Benefit Obligation

***Plan Description***. The District's governing board administers the Post-Employment Benefits Plan (the "**Plan**"). The Plan is a single employer defined benefit plan that is used to provide post-employment benefits other than pensions ("**OPEB**") for eligible retirees and their spouses. Membership of the Plan consists of 60 retirees and beneficiaries currently receiving benefits and 178 active plan members.

***Benefits Provided.*** The Plan provides medical and dental insurance benefits to eligible retirees. The benefits provided vary depending on what group of employees a retiree belongs to. For detailed information regarding the types of benefits provided see "APPENDIX B - AUDITED

FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2021 - Note 10- Postemployment Benefits Other Than Pension Benefits.

***Contributions.*** The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions to the Plan during the year June 30, 2021 were $113,332. The actuarially determined contribution for the measurement period was $781,104. The District's contributions and benefit payments were 0.65% of payroll during the measurement period as of June 30, 2021. Employees are not required to contribute to the Plan. There have been no assets accumulated in a trust to provide for the benefits of the Plan.

***Actuarial Assumptions and Other Inputs.*** The District's total OPEB liability of $9,608,553 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2019 [DETERMINE IF UPDATED ACTUARIAL REPORT IS AVAILABLE]. using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: discount rate 2.21%, inflation 2.81%, payroll increases 2.00%, municipal bond rate 2.21%, and healthcare cost trend rates 2.80%. The discount rate was based on the Bond Buyer 20-Bond General Obligation Index. Mortality rates were based on the 2017 STRS Mortality Table and 2019 PERS Active Mortality for Miscellaneous employees. The retirement rates are based on the 2017 STRS Retirement table. Employees hired before January 1, 2013 are based on 2017 CalPERS retirement rate for School Employees. Employees hired after January 1, 2013 use the 2017 CalPERS retirement rate for Miscellaneous Employees with a 2% at 60 adjusted to minimum retirement age of 52.

***Changes in OPEB Liability of the District.*** The changes in OPEB liability of the District as of June 30, 2021, is shown in the following table:

**CHANGES IN TOTAL OPEB LIABILITY**
**Hillsborough City School District**

| | **Total OPEB Liability** |
|---|---|
| Balance at June 30, 2020 | $9,160,507 |
| Service Cost | 360,183 |
| Interest | 201,195 |
| Benefit payments | (113,332) |
| Net changes | 448,046 |
| Balance at June 30, 2021 | $9,608,553 |

*Source: Hillsborough City School District Audit Report.*

***OPEB Expense.*** For the year ended June 30, 2021, the District recognized an OPEB expense of $1,090,933.

For more information regarding the District's OPEB, see Note 10 of Appendix B to the Official Statement.

### Long-Term Debt

In addition to liability relating to pensions and OPEB, the District has other long term indebtedness as described below in the form of general obligation bond indebtedness. The District does not have outstanding other long term debt or short term debt, such as lease obligations or tax and revenue anticipation notes.

The following table summarizes the District's outstanding general obligation bond indebtedness.

**HILLSBOROUGH CITY SCHOOL DISTRICT**
**General Obligation Bonds Outstanding**

| GO Bond Issues | Date Issued | Original Issue Amount | Amount Outstanding (August 2, 2022) |
|---|---|---|---|
| **Election of 2002 Bonds** | | | |
| General Obligation Bonds, Election of 2002, Series B | 08/29/2006 | $28,501,422.00 | $_______ |
| General Obligation Bonds, Election of 2002, Series C | 01/27/2011 | 22,680,012.00 | _______ |
| General Obligation Bonds, Election of 2002, Series D | 01/23/2019 | 2,118,566.25 | _______ |
| **Refunding Bonds** | | | _______ |
| 2020 General Refunding Obligation Bonds | 06/18/2020 | 53,910,044.80 | _______ |
| | | **TOTAL OUTSTANDING:** | $_______ |

*Source: Hillsborough City School District.*

### Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the San Mateo County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. For further information concerning County investments, access the County's website at www.smcgov.org and access the link to "Treasurer", "Investment-Information." The information contained in such website has not been reviewed by the District or the Underwriters and is not incorporated in this Official Statement by reference. The most recent Investment Policy adopted by the Board of Supervisors of the County and the most recent available investment report are attached hereto as Appendix G.

### Effect of State Budget on Revenues

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets because they are funded under LCFF. As such, the State's annual budget can impact a school district's revenues. How much funding is set aside for LCFF-funded school districts in the State budget can be impacted by several factors including the state of the economy and changes in law, which the District cannot predict. Because the District is funded as a Basic Aid district, the State's budget has less impact on the District than LCFF-funded districts. The District cannot predict how the laws governing education funding may be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See also "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" below.

## STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

*The information in this section concerning the State's budget or budgets has been compiled from publicly-available information provided by the State or the Legislative Analyst's Office (the **"LAO"**). Neither the District, the Underwriter nor the County is responsible for the information provided in this section.*

### State Funding of Education Generally

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive most of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State's general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts. School districts which are funded as Basic Aid Districts derive most of their operating revenues from local property tax revenues are less impacted by the State's budget.

### The State Budget Process

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

**Resources Relating to State Budgets**

Certain information about the State budgeting process and the State budget is available through several State sources. Convenient sources of information include:

- www.treasurer.ca.gov: The California State Treasurer internet home page, under the link to "Bond Finance" and sub-heading "-Public Finance Division", includes links to recent State official statements and various State financial documents which includes information regarding State budgets and finances.

- www.dof.ca.gov: The California Department of Finance's (the **"DOF"**) internet home page, under the link to "California Budget", includes the text of proposed and adopted State Budgets.

- www.lao.ca.gov: The LAO's internet home page includes a link to "-The Budget" which includes analyses and commentary on fiscal outlooks.

*The above references to internet websites shown are shown for reference and convenience only. The information contained within the websites may include outdated information and has not been reviewed for accuracy by the District or the Underwriter. Such information is* <u>*not*</u> *incorporated herein by reference.*

**The 2022-23 State Budget**

On June 30, 2022, the Governor signed the fiscal year 2022-23 State Budget (the **"2022-23 State Budget"**), a $308 billion spending plan, including $234.4 billion in general fund spending, and a historic $100 billion budget surplus. The 2022-23 State Budget includes significant general fund investments, provides for tax rebates to millions of taxpayers, and provides for a $37.2 billion reserve.

A central component of the 2022-23 State Budget is an over $17 billion broad-based inflation relief package, which includes tax rebates of up to $1,050 based on income level and the size of household. The relief package also includes increased grants for the State's lowest income families and individuals, and additional funding for food banks.

Other highlights of the 2022-23 State Budget include funding to address impacts of climate change and drought, provide for wildfire support, and address electricity rates and accelerate clean energy projects. Total funding of $128.6 billion is provided for K-12 education, reflecting $22,893 per pupil ($16,993 K-12 Proposition 98 guarantee), further details of which are set forth below. The 2022-23 State Budget includes funding aimed at addressing higher education needs, health care including universal access, funding for infrastructure including for transportation, energy innovation and reliability, housing for homeless individuals, and increasing broadband connectivity. Funding in the amount of $14.8 billion is provided for regional transit and rail projects, the continued development of a first-in-the-nation, electrified high-speed rail system in the State and other climate adaptation projects. The 2022-23 State Budget includes an additional $2 billion over two years to accelerate the development of affordable housing, and $3.4 billion over three years to continue the State's efforts to address homelessness by investing in immediate behavioral health housing and treatment, as well as encampment cleanup grants. Funding is provided to address COVID-19 health issues including testing and vaccinations, and funding for local law enforcement and highway patrols aimed at increasing public safety. The 2022-23 State Budget is projected to be balanced in fiscal year 2025-26, the last year in the multi-year forecast.

With respect to K-12 education, the 2022-23 State Budget provides total funding of $128.6 billion ($78.6 billion general fund and $50 billion other funds) for all K-12 education programs. The 2022-23 State Budget reflects a Proposition 98 funding level of $110.4 billion in 2022-23, representing a three-year increase in the minimum Proposition 98 guarantee of $35.8 billion over the level funded in the fiscal year 2020-21 State budget. A payment of approximately $2.2 billion is provided for the Public School System Stabilization Account, for a balance of more than $9.5 billion at the end of fiscal year 2022-23.

Under State law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Stabilization Account is equal to or greater than 3 percent of the total K-12 share of the Proposition 98 guaranteed funding. The balance of $7.1 billion in fiscal year 2021-22 has triggered the school district reserve cap beginning in fiscal year 2022-23.

The 2022-23 State Budget includes an LCFF cost-of-living adjustment of 6.56 percent, the largest in the history of LCFF. Additionally, to help school districts and charter schools address ongoing fiscal pressures, staffing shortages, and other operational needs, the 2022-23 State Budget includes $4.32 billion ongoing Proposition 98 general fund to increase LCFF base funding by an additional 6.28 percent.

To support fiscal stability and to address declining enrollment, the 2022-23 State Budget allows school districts to use the greater of the current year or prior year average daily attendance or an average of the three prior years' average daily attendance to calculate LCFF funding. Further, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 State Budget enables all classroom-based local educational agencies that can demonstrate they provided independent study offerings to students in fiscal year 2021-22 to be funded at the greater of their current year average daily attendance or their current year enrollment adjusted for pre-COVID-19 absence rates in fiscal year 2021-22.

Other highlights of the 2022-23 State Budget relating to K-12 education include:

<u>Establishes the Learning Recovery Emergency Fund</u>: $7.9 billion one-time Proposition 98 general fund to support the Learning Recovery Emergency Block Grant which will support local educational agencies in establishing learning recovery initiatives through the fiscal year 2027–28 school year. Funds can be used to increase instructional time, close learning gaps such as tutoring or small group learning, support students with health, counseling or mental health services, create additional access to instructions to support graduations and increase college eligibility, and provide additional academic services to students.

<u>Block Grant for Arts, Music and Other Programs</u>: Establishes the Arts, Music and Instructional Materials Block Grant, funded at $3.6 billion for a variety of purposes.

Supporting Community Schools: $1.1 billion in one-time Proposition 98 funding supporting access to the community schools grant.

Support for Educator Workforce: $48.1 million general fund for educator workforce purposes.

Funding for Residency Programs: $250 million one-time Proposition 98 general fund to expand residency slots for teachers and school counselors.

Funding for STEM Purposes: $85 million one-time Proposition 98 general fund to create Pre-K through 12 grade educator resources and professional learning to implement the Next Generation Science Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations.

Support for State Preschools: $312.7 million Proposition 98 general fund and $172.3 million general fund to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health and adds an adjustment factor for three-year-olds. Funding is also provided for inclusive early education, waiver of certain costs for children in the State Preschool Program, and in fiscal year 2022-23 reimbursing preschool providers for certain hours of authorized care.

Support for Transitional Kindergarten: $614 million ongoing Proposition 98 general fund, beginning in the 2022-23 school year, to support the first year of expanded eligibility for transitional kindergarten. Additionally, the 2022-23 State Budget provides $383 million Proposition 98 general fund to add one additional certificated or classified staff person to every transitional kindergarten class, reducing student-to-adult ratios to more closely align with the State Preschool Program.

Expanded Learning Opportunities Program: $1 billion ongoing and $753 million one-time Proposition 98 general fund in the first year of a multi-year investment plan to implement expanded-day, full-year instruction and enrichment for all elementary school students, with a focus on local educational agencies with the highest concentrations of low-income students, English language learners, and youth in foster care. Local educational agencies with the highest concentrations of these students will be required to offer expanded learning opportunities to all elementary students. The 2022-23 State Budget continues to assume that full fiscal implementation of the program will take place by fiscal year 2025-26.

Early Literacy: Includes $250 million one-time Proposition 98 general fund, available over five years, for grants to high-needs schools to train and hire literacy coaches and reading specialists to guide productive classroom instruction and to offer one-on-one and small group intervention for struggling readers.

Community Engagement Initiative: First funded in 2018, an additional $100 million one-time Proposition 98 general fund to expand the reach of the program to hundreds of additional local educational agencies.

Special Education: $500 million ongoing Proposition 98 general fund for the special education funding formula, paired with several policy changes to further the State's commitment to improving special education instruction and services.

College and Career Pathways: Includes $500 million one-time Proposition 98 general fund over seven years to support the development of pathway programs focused on technology, health care, education, and climate-related fields, and $200 million one-time Proposition 98 general fund, available over five years, to strengthen and expand student access and participation in dual enrollment opportunities.

Home-To-School Transportation: $637 million ongoing Proposition 98 general fund to reimburse local educational agencies for up to 60 percent of their transportation costs in the prior year. Additionally, commencing in fiscal year 2023-24, the 2022-23 State Budget reflects the application of an ongoing cost-of-living adjustment to the current LCFF Home-to-School transportation add-on. In addition, $1.5 billion one-time Proposition 98 general fund, available over five years, to support greening school bus fleets through programs that will be operated by the California Air Resources Board and the California Energy Commission.

Nutrition: $596 million Proposition 98 general fund to fund universal access to subsidized school meals, an additional $611.8 million to augment the state meal reimbursement rate sufficient to maintain meal reimbursement rates beginning in fiscal year 2022-23, and $600 million one-time, available over three years, for school kitchen infrastructure upgrades and equipment, food service employee training, and compensation for work related to serving universal meals using more fresh, minimally processed foods.

Farm to School Program: $30 million one-time general fund to establish additional farm to school demonstration projects with priority towards high-need schools, and $3 million ongoing general fund to expand the regional California Farm to School Network.

K-12 Facilities: The 2022-23 State Budget allocates the remaining Proposition 51 bond funds to support school construction projects, and provides $100 million one-time general fund with fiscal year 2021-22 funds and $550 million in fiscal year 2023-24 to support the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program. This program's grant funds may be used to construct new school facilities or retrofit existing school facilities for the purpose of providing transitional kindergarten, full-day kindergarten, or preschool classrooms.

For the full text of the 2022-23 State Budget, see the DOF website at www.dof.ca.gov. *However, the information included in such website is not incorporated herein by reference.*

## Disclaimer Regarding State Budgets

The execution of State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2022-23 State Budget or subsequent State budgets, or future changes (if any) in the budget due to shifts in the economy or other factors, will have on its own finances and operations. However, the Bonds described herein are secured by *ad valorem* property taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the Owners of the Bonds to provide State Budget information to the District or the owners of the Bonds. Although the sources of information provided herein are known to be reliable, neither the District nor the Underwriter assume any responsibility for the accuracy of the budget information set forth or referred to in this Official Statement or incorporated herein.

## Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory provisions relating to education funding in the State has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto, and how such events could impact the District and its finances.

*[Remainder of page intentionally left blank]*

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* property tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

### Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

### Article XIIIA of the California Constitution

***Basic Property Tax Levy.*** On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* property tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* property taxes may be levied to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978, (b) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (c) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) 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 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

***Legislation Implementing Article XIIIA.*** Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. 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 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.

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

***Inflationary Adjustment of Assessed Valuation.*** As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004, a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

**Article XIIIB of the California Constitution**

Article XIIIB (**"Article XIIIB"**) 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. 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 under the provisions of Article XIIIB, as amended.

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

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

Article XIIIB 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. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIIB also includes a requirement that 50% 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 under Section 8.5 of Article XVI of the State Constitution.

**Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (**"unitary property"**). Under the State Constitution, such property is assessed by the State Board of Equalization (**"SBE"**) as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

**Articles XIIIC and XIIID of the California Constitution**

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, **"Article XIIIC"** and **"Article XIIID"**), 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 California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC 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 XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) 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; (b) 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; (c) 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; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (e) 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; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While 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), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

**Proposition 98**

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes 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 general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

**Proposition 111**

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" (**"Proposition 111"**) which further modified Article XIIIB 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:

***Annual Adjustments to Spending Limit***. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

***Treatment of Excess Tax Revenues***. "Excess" tax revenues with respect to Article XIIIB 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 schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

***Exclusions from Spending Limit***. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the 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 Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

***Recalculation of Appropriations Limit***. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

***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 (a) 40.9% of State general fund revenues (the **"first test"**) or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the **"second test"**). Under Proposition 111, schools will receive the greater of (a) the first test, (b) the second test, or (c) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the **"third test"**). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

**Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as **"Proposition 39"**) to the California Constitution. This amendment (a) 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 (b) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the 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, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (a) any local government debts approved by the voters prior to July 1, 1978 or (b) 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: (a) 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; (b) 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 (c) 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 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district or high school district), or $25 (for a community college district), per $100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

**Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (a) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (b) shift property taxes from local governments to schools or community colleges, (c) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (d) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended 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, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

**Proposition 30 and Proposition 55**

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment, also known as **"Proposition 30"**, temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases for such period the marginal personal income tax rate by: (a) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for head of household filers and over $500,000 but less than $600,000 for joint filers), (b) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for head of household filers and over $600,000 but less than $1,000,000 for joint filers), and (c) 3% for taxable income over

$500,000 for single filers (over $680,000 for head of household filers and over $1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Proposition 98" and "Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be 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 schools 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 boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through the end of 2030, instead of the scheduled expiration date of December 31, 2018. The extensions did not apply to the sales tax and excise taxes imposed by Proposition 30. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

**California Senate Bill 222**

Senate Bill 222 (**"SB 222"**) was signed by the California Governor on July 13, 2015, and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter-approved general obligation bonds which are secured by *ad valorem* property tax collections are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds, such as the Bonds, as secured debt in bankruptcy due to the existence of a statutory lien.

**Proposition 19**

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment (**"Proposition 19"**), which amends Article XIIIA to (i) expand as of April 1, 2021 special rules that govern the transfer of a residential property's tax base value to a replacement residence for 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 anywhere within the State, (ii) narrows as of February 16, 2021 existing special rules for the valuation of inherited real property due to a transfer between family members, and (iii) allocates most resulting State revenues and savings (if any) to fire protection services and reimbursing local governments for taxation-related changes. The District cannot predict whether the implementation of Proposition 19 will increase, decrease or have no overall impact on the District's assessed values.

**Future Initiatives**

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under 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.

*[Remainder of page intentionally left blank.]*

# APPENDIX B

## AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021

# APPENDIX C

## ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE TOWN OF HILLSBOROUGH AND THE COUNTY OF SAN MATEO

*The Bonds are not a debt of Town of Hillsborough (the **"Town"**) or San Mateo County (the **"County"**). The Town and the County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Bonds at the time such payment is due.*

*The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak, and the economic and other impacts of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact, are developing and uncertain. Some of the information set forth in this Appendix C predates the outbreak of the COVID-19 pandemic and should not be relied upon as representative of the current demographics within the District.*

### General

***The County.*** The County of San Mateo (the "**County**") is located directly south of the City and County of San Francisco and north of the County of Santa Cruz on the California Coast and the County of Santa Clara along the San Francisco Bay . The County is a major employment base, and is also accessible to the San Jose and Silicon Valley areas approximately 30 miles south via Interstate 280 or U.S. Highway 101. The County has an approximate total area of 741 square miles, of which 448 square miles is land and 293 square miles is water. It is the third-smallest county in California by land area.

***The Town.*** The Town of Hillsborough (the "**Town**") is a residential community located in the County approximately 20 miles south of the City of San Francisco. It is west of Highway 101 and El Camino Real and east of Highway 280, within a short commute to San Francisco and minutes to the San Francisco International Airport.

## Population

The following sets forth the Town, the County and the State population estimates as of January 1 for the years 2018 to 2022.

**TOWN OF HILLSBOROUGH, COUNTY OF SAN MATEO**
**AND STATE OF CALIFORNIA**
**Population Estimates**
**As of January 1**

| Year | Town of Hillsborough | County of San Mateo | State of California |
|---|---|---|---|
| 2018 | 11,486 | 770,927 | 39,519,535 |
| 2019 | 11,444 | 771,160 | 39,605,361 |
| 2020* | 11,377 | 764,442 | 39,538,223 |
| 2021 | 11,110 | 751,596 | 39,303,157 |
| 2022 | 11,018 | 744,662 | 39,185,605 |

* As of April 1.
*Source: California State Department of Finance estimates.*

**Employment and Industry**

The Town is included in the San Francisco-Redwood City-South San Francisco Metropolitan Division ("**MD**"), which includes all of the County as well as San Francisco County. The unemployment rate in the San Francisco-Redwood City-South San Francisco MD was 1.8% in May 2022, down from a revised 2.1% in April 2022, and below the year-ago estimate of 5.2%. This compares with an unadjusted unemployment rate of 3.4% for California and 3.4% for the nation during the same period. The unemployment rate was 1.9% in San Francisco County, and 1.7% in San Mateo County.

The following table summarizes the civilian labor force, employment and unemployment in the San Francisco-Redwood City-South Francisco MD for the calendar years 2017 through 2021. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the Town.

**SAN FRANCISCO-REDWOOD CITY-SOUTH SAN FRANCISCO METROPOLITAN DIVISION (SAN FRANCISCO AND SAN MATEO COUNTIES)**
**Civilian Labor Force, Employment and Unemployment**
**(March 2021 Benchmark)**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Civilian Labor Force (1) | 1,008,000 | 1,017,500 | 1,037,700 | 995,900 | 977,200 |
| Employment | 979,200 | 993,600 | 1,015,200 | 920,600 | 929,900 |
| Unemployment | 28,800 | 23,900 | 22,500 | 75,300 | 47,200 |
| Unemployment Rate | 2.9% | 2.3% | 2.2% | 7.6% | 4.8% |
| Wage and Salary Employment: (2) | | | | | |
| Agriculture | 1,900 | 1,700 | 1,700 | 1,600 | 1,700 |
| Mining and Logging | 100 | 100 | 200 | 200 | 200 |
| Construction | 39,800 | 42,400 | 44,400 | 42,600 | 41,100 |
| Manufacturing | 41,300 | 40,900 | 41,100 | 37,900 | 37,200 |
| Wholesale Trade | 25,000 | 25,200 | 24,500 | 21,700 | 21,400 |
| Retail Trade | 82,100 | 81,400 | 79,500 | 68,200 | 67,700 |
| Transportation, Warehousing, Utilities | 44,200 | 47,700 | 51,200 | 46,100 | 46,000 |
| Information | 76,400 | 85,200 | 97,500 | 105,300 | 112,200 |
| Finance and Insurance | 59,300 | 60,900 | 62,200 | 61,900 | 62,600 |
| Real Estate and Rental and Leasing | 21,600 | 22,200 | 23,800 | 21,000 | 20,400 |
| Professional and Business Services | 271,800 | 282,700 | 293,900 | 282,900 | 283,800 |
| Educational and Health Services | 136,000 | 138,900 | 146,100 | 142,100 | 145,800 |
| Leisure and Hospitality | 142,400 | 143,600 | 147,500 | 90,100 | 91,300 |
| Other Services | 41,100 | 41,400 | 41,500 | 32,500 | 33,600 |
| Federal Government | 17,600 | 16,900 | 16,600 | 17,000 | 16,200 |
| State Government | 36,100 | 37,000 | 37,900 | 38,300 | 40,500 |
| Local Government | 76,200 | 77,500 | 77,100 | 73,300 | 72,500 |
| Total, All Industries (3) | 1,112,700 | 1,145,800 | 1,186,500 | 1,082,500 | 1,094,200 |

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
*Source: State of California Employment Development Department.*

## Major Employers

The following table lists the major employers within the County as of July 2022.

**COUNTY OF SAN MATEO**
**Major Employers**
**July 2022**
**(Listed Alphabetically)**

| Employer Name | Location | Industry |
|---|---|---|
| Bart Daly City Station | Daly City | Transit Lines |
| Box Inc | Redwood City | Prepackaged Software |
| Electric Charging Station | Menlo Park | Research Service |
| Electronic Arts Inc | Redwood City | Game Designers (mfrs) |
| Fisher Investments | Woodside | Investment Management |
| Fisher Investments | San Mateo | Investment Management |
| Forced Dump Debris Box Svc | Burlingame | Garbage Collection |
| Franklin Resources Inc | San Mateo | Asset Management |
| Genentech Inc | sSan Francisco | Biotechnology Products & Services |
| Gilead Sciences Inc | Foster City | Biological Products (mfrs) |
| Kaiser Permanente Redwood City | Redwood City | Hospitals |
| Kaiser Permanente South Sn | sSan Francisco | Hospitals |
| Lsa Global | Redwood City | Training Consultants |
| Meta Platforms Inc | Menlo Park | Social Media |
| Mills-Peninsula Medical Ctr | Burlingame | Hospitals |
| Palo Alto VA Hosp Med Ctr | Menlo Park | Government-Specialty Hosp Ex Psychiatric |
| Plateau Systems | San Mateo | Computer Software |
| San Francisco Intl Airport-Sfo | San Francisco | Airports |
| San Mateo County Behavior | San Mateo | Government Offices-County |
| San Mateo County Tax Collector | Redwood City | Tax Return Preparation & Filing |
| San Mateo Medical Ctr | San Mateo | Hospitals |
| Sciex LLC | Redwood City | Scientific Apparatus & Instruments-Mfrs |
| SRI International | Menlo Park | Engineers-Research |
| Visa Inc | Foster City | Credit Card & Other Credit Plans |
| Youtube LLC | San Bruno | Online Services |

*Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2022 2nd Edition.*

**Commercial Activity**

Summaries of historic taxable sales within the Town and the County during the past five years in which data is available are shown in the following tables. Total taxable transactions in the Town during the first quarter of calendar year 2022 were reported to be $3,417,624 a 32.23% increase from the total taxable sales of $2,584,545 that were reported during the first quarter of calendar year 2021.

**TOWN OF HILLSBOROUGH**
**Taxable Retail Sales**
**Number of Permits and Valuation of Taxable Transactions**
**(Dollars in Thousands)[(1)]**

| | Retail Stores | | Total All Outlets | |
|---|---|---|---|---|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2017 | 99 | $2,500 | 167 | $8,642 |
| 2018 | 95 | 1,562 | 182 | 8,502 |
| 2019 | 96 | 1,639 | 185 | 9,428 |
| 2020 | 100 | 4,306 | 196 | 8,948 |
| 2021 | 79 | 5,100 | 157 | 12,655 |

(1) The Town of Hillsborough has no commercial stores, and permits and taxable transactions may include home-based businesses.
*Source: State Department of Tax and Fee Administration.*

Total taxable transactions in the County during the first quarter of calendar year 2022 were reported to be $4,925,652,862, a 16.72% increase from the total taxable sales of $4,220,110,973 that were reported during the first quarter of calendar year 2021.

**SAN MATEO COUNTY**
**Taxable Retail Sales**
**Number of Permits and Valuation of Taxable Transactions**
**(Dollars in Thousands)**

| | Retail Stores | | Total All Outlets | |
|---|---|---|---|---|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2017 | 12,744 | $10,949,848 | 21,534 | $16,552,584 |
| 2018 | 12,802 | 11,674,214 | 22,554 | 17,547,097 |
| 2019 | 12,817 | 11,989,035 | 22,908 | 18,168,258 |
| 2020 | 13,350 | 10,542,136 | 23,985 | 15,940,068 |
| 2021 | 11,947 | 12,709,017 | 21,396 | 19,494,222 |

*Source: State Department of Tax and Fee Administration.*

## Effective Buying Income

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

The following table shows a five-year history of total effective buying income and median household effective buying income in the Town, the County, the State, and the United States.

**TOWN OF HILLSBOROUGH, SAN MATEO COUNTY,**
**STATE OF CALIFORNIA AND UNITED STATES**
**Effective Buying Income**
**As of January 1, 2018 through 2022**

| Year | Area | Total Effective Buying Income (000's Omitted) | Median Household Effective Buying Income |
|---|---|---|---|
| 2018 | Town of Hillsborough | $983,345 | $197,047 |
| | San Mateo County | 35,362,153 | 87,101 |
| | California | 1,113,648,181 | 59,646 |
| | United States | 8,640,770,229 | 50,735 |
| 2019 | Town of Hillsborough | $1,022,832 | $220,869 |
| | San Mateo County | 39,578,320 | 93,319 |
| | California | 1,183,264,399 | 62,637 |
| | United States | 9,017,967,563 | 52,841 |
| 2020 | Town of Hillsborough | $1,010,642 | $227,564 |
| | San Mateo County | 40,511,605 | 96,614 |
| | California | 1,243,564,816 | 65,870 |
| | United States | 9,487,165,436 | 55,303 |
| 2021 | Town of Hillsborough | $1,072,261 | $272,166 |
| | San Mateo County | 43,397,132 | 102,641 |
| | California | 1,290,894,604 | 67,956 |
| | United States | 9,809,944,764 | 56,790 |
| 2022 | Town of Hillsborough | $1,108,981 | $293,666 |
| | San Mateo County | 48,351,364 | 120,425 |
| | California | 1,452,426,153 | 77,058 |
| | United States | 11,208,582,541 | 64,448 |

*Source: The Nielsen Company (US), Inc for 2018; Claritas, LLC for 2019 through 2022.*

## Construction Activity

The following tables show a recent summary of the valuation of building permits issued in the Town and the County.

**TOWN OF HILLSBOROUGH**
**Building Permit Valuation**
**(Valuation in Thousands of Dollars)**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Permit Valuation | | | | | |
| New Single-family | $22,028.3 | $19,599.9 | $14,306.2 | $16,443.7 | $32,372.4 |
| New Multi-family | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Res. Alterations/Additions | 36,692.5 | 25,186.0 | 24,515.0 | 19,766.0 | 25,087.7 |
| Total Residential | 58,720.8 | 44,785.9 | 38,821.2 | 36,209.7 | 57,460.1 |
| | | | | | |
| New Commercial | 776.0 | 0.0 | 343.8 | 0.0 | 150.0 |
| New Industrial | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New Other | 515.0 | 83.7 | 664.8 | 1,362.1 | 1,087.5 |
| Com. Alterations/Additions | 0.0 | 60.0 | 687.0 | 185.5 | 27.0 |
| Total Nonresidential | 1,291.0 | 143.7 | 1,695.6 | 1,547.6 | 1,264.5 |
| | | | | | |
| New Dwelling Units | | | | | |
| Single Family | 24 | 18 | 19 | 28 | 60 |
| Multiple Family | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 24 | 18 | 19 | 28 | 60 |

*Source: Construction Industry Research Board, Building Permit Summary.*

**SAN MATEO COUNTY**
**Building Permit Valuation**
**(Valuation in Thousands of Dollars)**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Permit Valuation | | | | | |
| New Single-family | $338,186.5 | $330,908.0 | $486,257.4 | $273,328.3 | $371,580.0 |
| New Multi-family | 210,996.5 | 195,226.4 | 322,896.6 | 154,590.5 | 223,839.7 |
| Res. Alterations/Additions | 503,351.5 | 424,804.7 | 365,784.7 | 310,315.5 | 282,684.2 |
| Total Residential | 1,052,534.5 | 950,939.1 | 1,174,938.7 | 738,234.3 | 878,103.9 |
| | | | | | |
| New Commercial | 1,207,218.1 | 1,505,602.0 | 737,402.4 | 391,778.1 | 305,651.8 |
| New Industrial | 500.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New Other | 135,392.7 | 77,503.7 | 63,741.5 | 64,772.4 | 149,595.8 |
| Com. Alterations/Additions | 1,047,885.6 | 972,646.5 | 618,727.3 | 923,425.0 | 534,973.7 |
| Total Nonresidential | 2,390,996.4 | 2,555,752.2 | 1,419,871.2 | 1,379,975.5 | 990,221.3 |
| | | | | | |
| New Dwelling Units | | | | | |
| Single Family | 411 | 443 | 497 | 548 | 657 |
| Multiple Family | 1,169 | 1,048 | 1,049 | 439 | 638 |
| TOTAL | 1,580 | 1,491 | 1,546 | 987 | 1,285 |

*Source: Construction Industry Research Board, Building Permit Summary.*

# APPENDIX D

## PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

[Closing Date]

Board of Trustees
Hillsborough City School District
300 El Cerrito Avenue
Hillsborough, California 94010

***OPINION:*** $__________ Hillsborough City School District
(San Mateo County, California)
General Obligation Bonds, Election of 2022, Series A

Members of the Board of Trustees:

We have acted as bond counsel to the Hillsborough City School District (the "District") in connection with the issuance by the District of $_________ principal amount of Hillsborough City School District (San Mateo County, California) General Obligation Bonds, Election of 2022, Series A, dated the date hereof (the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Board of Trustees of the District (the "Board") on August 18, 2022 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the Board of Supervisors of the County of San Mateo is

obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

# APPENDIX E

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

**$_____________**
**HILLSBOROUGH CITY SCHOOL DISTRICT**
**(San Mateo County, California)**
**General Obligation Bonds**
**Election of 2022, Series A**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Hillsborough City School District (the "**District**") in connection with the issuance and delivery of the captioned bonds (the "**Bonds**"). The captioned Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on August 18, 2022 (the "**Resolution**"). The Bank of New York Mellon Trust Company, N.A. is initially acting as paying agent for the Bonds (the "**Paying Agent**"). The District hereby covenants and agrees as follows:

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

**Section 2. Definitions**. In addition to the definitions set forth above and in the 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:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means the date not later than March 31 after the end of each fiscal year of the District.

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

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

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

"*Paying Agent*" means The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor thereto.

"*Participating Underwriter*" means Raymond James & Associates, Inc., the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means 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. Provision of Annual Reports**.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2023 with the report for the 2021-22 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District in a timely manner shall provide (or cause the Dissemination Agent to provide) notice to the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the Paying Agent and Participating Underwriter.

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

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the District shall include in its Annual Report the following information:

(i) total secured property tax levy and collections, showing current collections as a percent of the total levy, provided, however, if such information is not available for the most recently completed fiscal year, then the data to be filed with the Annual Report shall be with respect to the prior fiscal year;

(ii) assessed valuation of taxable properties in the District; and

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

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

**Section 5. Reporting of Significant Events**.

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

(1) Principal and interest payment delinquencies.

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

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

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

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

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed

Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

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

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

(9) Defeasances.

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

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) 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, if material.

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

(15) Incurrence of a financial obligation of the District, if material, 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 security holders, if material.

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

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

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

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

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

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

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

**Section 8. 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

**Section 9. 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 Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

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

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

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

**Section 10. Additional Information**. Nothing in this Disclosure Certificate shall be deemed to prevent the 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 Annual Report or 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 Annual Report or 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 Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Default**. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds 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. Failure of the District to comply with this Disclosure Certificate shall not constitute a default by the District under the Resolution or under the Bonds 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 12. Duties, Immunities and Liabilities of Dissemination Agent**.

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

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

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

Date: _________, 2022

**HILLSBOROUGH CITY SCHOOL DISTRICT**

By: ___________________________________
Chief Business Official

# APPENDIX F

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds 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 Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

4. To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

5. 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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

8. Redemption proceeds, distributions, and interest payments on the Bonds 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 District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, 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 District or 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.

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

10. 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, Bond certificates will be printed and delivered to DTC.

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

# APPENDIX G

## SAN MATEO COUNTY

## INVESTMENT POLICY AND INVESTMENT REPORT