

NEW ISSUE – FULL BOOK-ENTRY

**RATINGS: Moody's: “___”; S&P: “___”
See “RATINGS” herein**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the Bonds.

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

\$ _____*
PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds,
2012 Election, Series C

\$ _____*
PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
2021 General Obligation Refunding Bonds
(Federally Taxable)

Dated: Date of Delivery

Due: September 1, as shown on inside front cover

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this cover page and not otherwise defined shall have the meanings set forth herein.

The above-captioned Perris Union High School District (County of Riverside, California) General Obligation Bonds 2012 Election, Series C (the “Tax-Exempt Bonds or “Series C Bonds”) and the Perris Union High School District (County of Riverside, California) 2021 General Obligation Refunding Bonds (Federally Taxable) (the “Taxable Bonds” or “Refunding Bonds” and, together with the Series C Bonds, the “Bonds”) are being issued by the Perris Union High School District (the “District”).

The Series C Bonds were authorized at an election of the registered voters of the District held on November 6, 2012, at which more than 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$153,420,000 aggregate principal amount of general obligation bonds of the District and are being issued to finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, to pay capitalized interest on the Series C Bonds, and to pay certain costs of issuing the Series C Bonds. The Refunding Bonds are being issued by the District for the purpose of providing funds (i) to refund and defease a portion of the District’s outstanding General Obligation Bonds, 2012 Election, Series A and (ii) to pay costs of issuance of the Refunding Bonds.

The Series C Bonds are issued pursuant to provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 et seq., Chapter 1 of Part 10 of Division 1 of Title 1 of the California Education Code, commencing with Section 15100 et seq., the Measure T Authorization (as defined herein), a resolution adopted by the Board of Trustees of the District on June 16, 2021. The Refunding Bonds are issued pursuant to provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a resolution adopted by the Board of Trustees of the District on June 16, 2021.

The Bonds represent a general obligation of the District, payable solely from *ad valorem* property taxes. The Board of Supervisors of Riverside County (the “County”) is empowered and obligated to annually levy *ad valorem* taxes for the payment 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 as to certain personal property which is taxable at limited rates).

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, New York, New York (collectively referred to herein as “DTC”). Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in the Bonds.

Interest with respect to the Bonds accrues from the date of delivery of the Bonds and is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2021. The Bonds are issuable as fully registered Bonds in denominations of \$5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry Only System.”

The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due, which, if purchased, would be issued concurrently with the delivery of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as described herein.*

MATURITY SCHEDULE*
(see inside front cover)

The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by James F. Anderson Law Firm, a Professional Corporation, Laguna Hills, California. The Series C Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about August __, 2021. The Refunding Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about August __, 2021.**

[Stifel logo]

Dated: July __, 2021.

* Preliminary, subject to change.

MATURITY SCHEDULES*

\$ _____ *
PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds,
2012 Election, Series C

Base CUSIP†: _____

\$ _____ **Serial Bonds**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
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\$ _____ % Term Bonds due September 1, 20__ - Yield ____%‡ - CUSIP†: ____

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

‡ Yield to call at par on September 1, 20__.

\$ _____ *

PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
2021 General Obligation Refunding Bonds

Base CUSIP†: _____

\$ _____ **Serial Bonds**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
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\$ _____ % Term Bonds due September 1, 20__ - Yield ____%‡ - CUSIP†: ____

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

‡ Yield to call at par on September 1, 20__.

**PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)**

BOARD OF TRUSTEES

Dr. Jose Luis Araux, Jr., President
Anthony T. Stafford, Sr., Vice President
Dr. Randall Freeman, Clerk
David G. Nelissen, Member
Elizabeth Vallejo, Member

DISTRICT ADMINISTRATION

Grant Bennett, *Superintendent*
Candace Reines, *Deputy Superintendent, Business Services*

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

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

FINANCIAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

PAYING AGENT AND ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Causey, Demgen & Moore P.C.
Denver, Colorado

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This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of such municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from sources outside of the District which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. 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.

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 in this Official Statement, 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.

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) has provided the following sentence for inclusion in this Official Statement:

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

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page and said public offering prices may be changed from time to time by the Underwriter.

The District maintains a website and social media accounts. However, the information presented on the District’s website or social media accounts is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

[Insert Regional Location Map]

\$ _____ *
PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds,
2012 Election, Series C

\$ _____ *
PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
2021 General Obligation Refunding Bonds
(Federally Taxable)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page, and appendices hereto, provides information in connection with the sale of the Perris Union High School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series C, in the principal amount of \$ _____ * (the “Tax-Exempt Bonds” or the “Series C Bonds”) and the Perris Union High School District (Riverside County, California) 2021 General Obligation Refunding Bonds (Federally Taxable) in the principal amount of \$ _____ * (the “Taxable Bonds” or the “Refunding Bonds” and, together with the Series C Bonds, the “Bonds”).

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, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. 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 Perris Union High School District (the “District”) was incorporated on August 23, 1897, and covers approximately 182 square miles in the northwestern part of Riverside County (the “County”) just south of the City of Riverside. A majority of the City of Perris, all of the City of Menifee, and all of the unincorporated communities of Sun City, Lakeview, Nuevo, Romoland, and Homeland are situated within the District’s boundaries, as well as a portion of the cities of Lake Elsinore, Murrieta, San Jacinto and Wildomar. The City of Perris is located 18 miles south of the City of Riverside, 75 miles northeast of the City of San Diego and 70 miles east of the City of Los Angeles.

The District currently operates one middle school, three comprehensive high schools, one continuation high school and one online independent study school. The District provides education for grades 7-12 for students generated by the Perris Elementary School District and grades 9-12 for students generated by the Menifee Union School District, the Nuview Union School District and the Romoland School District. The District additionally operates an adult education program, a functional skills special education school for students aged 18-22, and a military-based dependent charter school for grades 5-12.

The District is governed by a five-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day affairs of the District are the responsibility of its Superintendent. Grant Bennett is the Superintendent of the District and Candace Reines is the Deputy Superintendent, Business Services. See “THE DISTRICT – Administration” herein.

* Preliminary, subject to change.

Security and Sources of Payment for the Bonds

The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County on taxable property located within the boundaries of the District. The Board of Supervisors (the “Board of Supervisors”) of the County has the power 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). See “THE BONDS – Security and Sources of Payment” herein.

Purpose of Issue

Series C Bonds. The Series C Bonds are being issued by the District for the purpose of providing funds (i) to finance specific construction, acquisition and modernization projects approved by the voters, and (ii) to pay costs of issuance of the Series C Bonds. See “PLAN OF FINANCE – Series C Bonds” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Refunding Bonds. The proceeds from the sale of the Refunding Bonds will be used by the District (i) to defease and refund a portion of the District’s outstanding Perris Union High School District General Obligation Bonds, 2012 Election, Series A (the “Refunded Bonds”), and (ii) to pay costs of issuance of the Refunding Bonds. See “PLAN OF FINANCE – Refunding Bonds” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth on the inside cover page hereof, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS – Book-Entry Only System” herein. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions described herein. See “THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners” herein.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount or any integral multiple thereof.

Redemption.* The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See “THE BONDS – Redemption.”

Payments. Interest on the Bonds accrues from their initial Date of Delivery, and is payable semiannually on each March 1 and September 1 (each a “Bond Payment Date”), commencing September 1, 2021. Principal on the Bonds is payable on September 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, the designated paying agent, bond registrar, authenticating agent and transfer agent (the

* Preliminary, subject to change.

“Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry Only System” herein.

Bond Insurance. The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due, which, if purchased, would be issued concurrently with the delivery of the Bonds.

Tax Matters

Tax-Exempt Bonds. In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), based on existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Tax-Exempt Bonds is exempt from State of California personal income tax. See “TAX MATTERS” and “APPENDIX B – FORMS OF OPINIONS OF BOND COUNSEL.”

Taxable Bonds. In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Taxable Bonds is exempt from State of California personal income tax. See “TAX MATTERS” and “APPENDIX B – FORMS OF OPINIONS OF BOND COUNSEL.”

Authority for Issuance

Series C Bonds. The Series C Bonds are issued pursuant to provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 et seq., Chapter 1 of Part 10 of Division 1 of Title 1 of the California Education Code, commencing with Section 15100 et seq., the Measure T Authorization (defined below), a resolution adopted by the Board on June 16, 2021 (the “Series C Bonds Resolution”).

Voters within the District approved \$153,420,000 of general obligation bonds at an election held on November 6, 2012 (the “Measure T Authorization”). The stated purpose of the Measure T Authorization was to “To help attract teachers; improve career/college readiness, student safety, and academic performance; in Menifee, Perris, Romoland and Nuevo secondary schools; by: Improving classrooms, science labs, vocational education, instructional technology; Removing hazardous materials; Upgrading fire safety, wiring, school security, handicapped accessibility; adding classrooms, including a new Menifee high school, to reduce overcrowding and accommodate growing enrollment.” The Bonds are the third issuance of bonds pursuant to the Measure T Authorization, and following the issuance thereof, none of the Measure T Authorization will remain unissued.* See “THE BONDS – Authority for Issuance” herein.

Refunding Bonds. The Refunding Bonds are issued pursuant to provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and a resolution adopted by the Board on June 16, 2021 (the “Refunding Bonds Resolution” and, together with the Series C Bonds Resolution, the “Resolutions”). See “THE BONDS – Authority for Issuance” herein.

* Preliminary, subject to change.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Series C Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about August __, 2021.* It is anticipated that the Refunding Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about August __, 2021.

Continuing Disclosure

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Securities and Exchange Commission (“SEC”) Rule 15c2-12(b)(5) (the “Rule”). These covenants have been made in order to assist the Underwriter (defined herein) in complying with the Rule. The specific nature of the information to be made available and of the notices of enumerated events required to be provided are summarized in Appendix C attached hereto.

Bond Owner’s Risks

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, and certain other matters, see “TAX BASE FOR REPAYMENT OF BONDS” and “LIMITATION ON REMEDIES; BANKRUPTCY; OTHER RISKS” herein.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. CSG Advisors Incorporated, San Francisco, California is acting as Financial Advisor to the District with respect to the Bonds. James F. Anderson Law Firm, a Professional Corporation, Laguna Hills, California, will be serving as Underwriter’s Counsel in connection with the sale and delivery of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, CSG Advisors, Incorporated and James F. Anderson Law Firm, a Professional Corporation, will receive compensation from the District contingent upon the sale and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

* Preliminary, subject to change.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Deputy Superintendent, Business Services, Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 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 entirety by reference to each of such documents, statutes and constitutional provisions.

Certain information set forth herein, other than that provided by the District, 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.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolutions (defined herein).

PLAN OF FINANCE

Series C Bonds

A portion of the proceeds of the Series C Bonds will be applied to fund the costs of various components of the projects set forth under the Measure T Authorization to provide “to help attract teachers; improve career/college readiness, student safety, and academic performance; in Menifee, Perris, Romoland and Nuevo secondary schools; by: improving classrooms, science labs, vocational education, instructional technology; removing hazardous materials; upgrading fire safety, wiring, school security, handicapped accessibility; adding classrooms, including a new Menifee high school, to reduce overcrowding and accommodate growing enrollment.”

The proceeds of the Series C Bonds are expected to be used to finance specific construction, acquisition and modernization projects approved pursuant to the Measure T Authorization, including, but not limited to [to come]. The District, at its option, may elect to use the proceeds of the Series C Bonds to finance additional or other projects approved pursuant to the Measure T Authorization.

See “THE BONDS – Application and Investment of Bond Proceeds” herein.

Refunding Bonds

The proceeds from the sale of the Refunding Bonds will be used by the District to refund certain maturities of the District’s General Obligation Bonds, 2012 Election, Series A. The specific maturities of those bonds to be refunded (the “Refunded Bonds”) and the bonds to remain outstanding and unrefunded (the “Unrefunded Bonds”) are listed in the following tables.

REFUNDED BONDS* Perris Union High School District

General Obligation Bonds, 2012 Election, Series A

<u>Maturity Date (September 1)</u>	<u>CUSIP†</u>	<u>Principal Amount</u>	<u>Redemption Date September 1</u>	<u>Redemption Price (% of Par Amount)</u>
2024	714398GG3	\$410,000	2023	100%
2025	714398GH1	490,000	2023	100
2026	714398GJ7	575,000	2023	100
2027	714398GK4	665,000	2023	100
2030 (Term)	714398GN8	2,605,000	2023	100
2033 (Term)	714398GR9	3,730,000	2023	100
2038 (Term)	714398GS7	9,465,000	2023	100
2042 (Term)	714398GT5	11,350,000	2023	100

A portion of the District’s General Obligation Bonds, 2012 Election, Series A, as listed in the following table, are not being refunded from proceeds of the Refunding Bonds.

UNREFUNDED BONDS* Perris Union High School District

General Obligation Bonds, 2012 Election, Series A

<u>Maturity Date (September 1)</u>	<u>CUSIP†</u>	<u>Principal Amount</u>
2021	714398GD0	\$200,000
2022	714398GE8	265,000
2023	714398GF5	330,000

The net proceeds from the sale of the Refunding Bonds shall be paid to [U.S. Bank National Association,] acting as escrow agent (the “Escrow Agent”), pursuant to an escrow agreement (the “Escrow Agreement”) by and between the District and the Escrow Agent. The Escrow Agent will deposit such proceeds in the Escrow Fund (the “Escrow Fund”) in an amount which, together with interest to accrue thereon, will be sufficient to enable the Escrow Agent to pay the redemption price of the Refunded Bonds, on September 1, 20__, as well as the interest due on such Refunded Bonds on and before such date.

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

Amounts held in the Escrow Fund will be invested in certain Escrow Securities, as defined in the Escrow Agreement.

The sufficiency of the amounts on deposit in the Escrow Fund to pay the redemption prices of the Refunded Bonds, and the accrued interest due on the Refunded Bonds, on the above-referenced date, will be verified by Causey, Demgen & Moore P.C., Denver, Colorado, as Verification Agent. See “LEGAL MATTERS – Escrow Verification.” As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Verification Agent’s computations, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* taxes for payment of the Refunded Bonds will cease.

See “THE BONDS – Application and Investment of Bond Proceeds” herein.

ESTIMATED SOURCES AND USES OF FUNDS

Series C Bonds

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

	<u>Proceeds of Series C Bonds</u>
Sources of Funds	
Principal Amount of the Series C Bonds	
[Net] Original Issue Premium	
Total Sources	
Uses of Funds	
Deposit to Building Fund	
Deposit to Series C Debt Service Fund ⁽¹⁾	
Costs of Issuance ⁽²⁾	
Total Uses	

⁽¹⁾ Represents capitalized interest on the Series C Bonds.

⁽²⁾ Includes fees of Bond and Disclosure Counsel, the Paying Agent, the Financial Advisor, Underwriter’s discount, printing fees, demographics, rating agency fees, and certain other expenses related to the Series C Bonds.

Refunding Bonds

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

	<u>Proceeds of Refunding Bonds</u>
Sources of Funds	
Principal Amount of the Refunding Bonds	
[Net] Original Issue Premium	
Total Sources	
Uses of Funds	
Deposit to Escrow Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	

⁽¹⁾ Includes fees of Bond and Disclosure Counsel, the Paying Agent, the Financial Advisor, Underwriter's discount, Escrow Agent fees, Verification Agent fees, printing fees, demographics, rating agency fees, and certain other expenses related to the Refunding Bonds.

THE BONDS

Authority for Issuance

The Series C Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Act"), Article XIII A of the State Constitution and pursuant to the Series C Bonds Resolution. The District received authorization at an election held on November 6, 2012 by more than fifty-five percent of the votes cast by eligible voters within the District to issue \$153,420,000 aggregate principal amount of general obligation bonds. The Bonds are the third issuance of bonds pursuant to the Measure T Authorization, and following the issuance thereof, none of the Measure T Authorization will remain unissued.*

The Refunding Bonds are issued pursuant to provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and pursuant to the Refunding Bonds Resolution.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

Such *ad valorem* property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve for the Bonds, and the District can make no

* Preliminary, subject to change.

representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the Debt Service Funds (defined herein) established by the Resolutions, which fund is required to be segregated and maintained by the County and which is designated for the payment of the principal of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged funds on deposit in the Debt Service Funds to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Funds and the Building Fund (defined herein), the Bonds are not a debt of the County.

Moneys in the Debt Service Funds, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal, and interest to its DTC Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above 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 in any year. Fluctuations in the annual debt service due on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, fire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the State Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

General Provisions

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 DTC. Beneficial Owners will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees.

Interest on the Bonds accrues from the Dated Date, and is payable on each Bond Payment Date, commencing September 1, 2021. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to and including such Bond Payment Date, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before August 15, 2021, in which event it will bear interest from the Dated Date. The Bonds are issuable in denominations of \$5,000 principal amount, or any integral multiple thereof, and mature on September 1, in the years and amounts set forth on the inside cover page hereof.

Payments. Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the “Record Date”), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds will be payable upon maturity upon surrender at the designated office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds.

Application and Investment of Bond Proceeds

Series C Bonds. The Series C Bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuing the Series C Bonds. See “PLAN OF FINANCE – Series C Bonds.”

The net proceeds from the sale of the Series C Bonds will be paid to the County to the credit of the “Perris Union High School District General Obligation Bonds, 2012 Election, Series C Building Fund” (the “Building Fund”), and will be applied solely for the purposes for which the Series C Bonds are being issued. Interest earnings on the Building Fund will be retained therein. Any excess proceeds of the Series C Bonds not needed for the authorized purposes for which the Series C Bonds are being issued, upon written notice from the District, will be transferred to the Series C Debt Service Fund (as defined herein) and applied to the payment of the principal of and interest on the Series C Bonds.

Any premium received by the County from the sale of the Series C Bonds, as well as *ad valorem* property taxes levied by the County for the payment of the Series C Bonds when collected, are required to be held separate and apart in the fund created by the Series C Bonds Resolution and designated as the “Perris Union High School District General Obligation Bonds, 2012 Election, Series C Debt Service Fund” (the “Series C Debt Service Fund”) for the Series C Bonds and used only for payment of principal of and interest on the Series C Bonds. Any interest earnings on moneys held in the Series C Debt Service Fund will be retained therein. If, after all of the Series C Bonds have been redeemed or paid and otherwise

cancelled, there are moneys remaining in the Series C Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Refunding Bonds. The net proceeds from the sale of the Refunding Bonds will be used by the District to refund and defease the Refunded Bonds and to pay the costs of issuance of the Refunding Bonds. See “PLAN OF FINANCE –Refunding Bonds.”

Any accrued interest received by the County from the sale of the Refunding Bonds, as well as *ad valorem* property taxes levied by the County for the payment of the Refunding Bonds when collected, shall be kept separate and apart in the fund created by the Refunding Resolution and designated as the “Perris Union High School District 2021 General Obligation Refunding Bonds Debt Service Fund” (the “Refunding Bonds Debt Service Fund” and, together with the Series C Debt Service Fund, the “Debt Service Funds”) for the Refunding Bonds and used only for payment of principal and interest on the Refunding Bonds. Any interest earnings on moneys held in the Refunding Bonds Debt Service Fund will be retained therein. If, after all of the Refunding Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Refunding Bonds Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Building Fund and Debt Service Funds will be invested through the County Investment Pool. See “APPENDIX E – RIVERSIDE COUNTY POOLED INVESTMENT FUND” attached hereto.

Redemption

Series C Bonds.

Optional Redemption.* The Series C Bonds maturing on or before September 1, 20__ are not subject to redemption prior to their respective stated maturity dates. The Series C Bonds maturing on and after September 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after September 1, 20__ at a redemption price equal to the principal amount of the Series C Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Redemption.* The Series C Bonds maturing on September 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on September 1 of each year, on and after September 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Series C Bonds to be so redeemed, the dates therefor, and the final payment date are as indicated in the following table:

<u>Year Ending September 1</u>	<u>Principal To Be Redeemed</u>
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⁽¹⁾ Maturity.

* Preliminary, subject to change.

In the event that a portion of the Term Series C Bonds shown above is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, in integral multiples of \$5,000 principal amount, in respect of the portion of such Term Series C Bonds optionally redeemed.

Refunding Bonds.

Optional Redemption.* The Refunding Bonds maturing on or before September 1, 20__ are not subject to redemption prior to their respective stated maturity dates. The Refunding Bonds maturing on and after September 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after September 1, 20__ at a redemption price equal to the principal amount of the Refunding Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Redemption.* The Refunding Bonds maturing on September 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on September 1 of each year, on and after September 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Refunding Bonds to be so redeemed, the dates therefor, and the final payment date are as indicated in the following table:

<u>Year Ending</u>	<u>Principal</u>
<u>September 1</u>	<u>To Be Redeemed</u>

⁽¹⁾ Maturity.

In the event that a portion of the Refunding Term Bonds shown above is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, in integral multiples of \$5,000 principal amount, in respect of the portion of such Refunding Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption as directed by the District and, if not so directed, by lot. Redemption by lot will be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part will be in the principal amount of \$5,000 or any integral multiple thereof.

Redemption Notice. When redemption is authorized or required pursuant to the Resolutions, the Paying Agent, upon written instruction from the District, will give notice (a “Redemption Notice”) of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any

* Preliminary, subject to change.

Bond to be redeemed in part only, the portion of the principal amount of such Bonds, as applicable, to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) provide a Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

“Securities Depository” means The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolutions will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in “—Defeasance” herein, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amount (which, with respect to any outstanding Bonds, means the principal amount) to the unredeemed portion of the Bond surrendered. Such partial redemption is 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.

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest accrued to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in “—Defeasance” herein, and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be

redeemed will cease to accrue and become payable. All money held for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds shall be deemed to have been defeased as described in “—Defeasance” herein, such Redemption Notice will state that such redemption will be conditional upon the receipt by the independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal, premium, if any, and interest on, such Bonds to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, the Bonds will not be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of such rescission in the same manner as the Redemption Notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity pursuant to the provisions of the Resolutions, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, all as provided in the Resolutions, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information under this caption concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) (collectively, the “DTC Participants”) will distribute to the Beneficial Owners (a) payments of principal of, interest on, or premium, if any, with respect to the Bonds, (b) certificates 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, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such bond, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York

Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

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 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 certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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 DTC nominee do not affect 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.

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 the 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 notices be provided directly to them.

Redemption notices shall 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.

Neither DTC nor Cede & Co. (nor any 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 the District as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders of the Bonds (other than under the caption "TAX MATTERS" herein and "APPENDIX B – FORMS OF OPINIONS OF BOND COUNSEL" attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which will at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolutions.

In the event that the book-entry only system as described herein is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, and exchange of the Bonds.

The principal of, premium and interest on the Bonds upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated trust office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof, as applicable) upon presentation and surrender at the corporate trust office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register 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. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable Redemption Notice is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund (if any), is sufficient to pay all such Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, and moneys transferred from the Debt Service Fund (if any), in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant

to paragraphs (a) or (b) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), and obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) or Moody’s Investors Service (“Moody’s”) at least as high as direct and general obligations of the United States of America.

DEBT SERVICE SCHEDULES

Series C Bonds

The following table summarizes the annual debt service requirements of the District with respect to the Series C Bonds (assuming no optional redemptions are made):

<u>Period Ending September 1</u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment⁽¹⁾</u>	<u>Total Debt Service</u>
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
<u>Totals</u>			

⁽¹⁾ Interest payments on the Bonds will be made semiannually on March 1 and September 1 of each year, commencing September 1, 2021.

Refunding Bonds

The following table summarizes the annual debt service requirements of the District with respect to the Refunding Bonds (assuming no optional redemptions are made):

Period Ending <u>September 1*</u>	Annual Principal <u>Payment</u>	Annual Interest <u>Payment</u> ⁽¹⁾	Total Annual <u>Debt Service</u>
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
Totals			

* Preliminary, subject to change.

⁽¹⁾ Interest payments on the Bonds will be made semiannually on March 1 and September 1 of each year, commencing September 1, 2021.

See “DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds” herein for a schedule of the combined debt service requirements for all of the District’s outstanding general obligation bonds.

TAX BASE FOR REPAYMENT OF THE BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The principal of and interest on the Bonds are payable solely from the proceeds of ad valorem property taxes levied and collected by the County on taxable property in the District. The District’s general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

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

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

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

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

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

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

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the California Constitution (“Article XIII A”). For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein. Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District has a total assessed valuation for fiscal year 2020-21 of \$19,540,662,341. Shown in the following table are the assessed valuations for the District since 1993-94. The District’s assessed valuation increased by approximately 449.23% between fiscal year 1993-94 and fiscal year 2020-21, representing an approximate average annual compound growth rate of 6.51%.

ASSESSED VALUATION Fiscal Years 1993-94 to 2020-21 Perris Union High School District

Fiscal Year	Secured	Utility ⁽¹⁾	Unsecured	Total Assessed Valuation	Annual % Change
1993-94	\$3,492,180,699	\$8,861,011	\$56,817,546	\$3,557,859,256	--
1994-95	3,478,209,532	630,961	60,313,656	3,539,154,149	-0.5%
1995-96	3,419,854,828	764,531	61,054,904	3,481,674,263	-1.6
1996-97	3,308,034,180	1,276,028	63,998,733	3,373,308,941	-3.1
1997-98	3,360,322,456	1,530,996	63,169,190	3,425,022,642	1.5
1998-99	3,310,227,382	1,627,152	64,356,862	3,376,211,396	-1.4
1999-00	3,392,375,501	2,571,131	61,862,429	3,456,809,061	2.4
2000-01	3,619,651,596	--	86,285,142	3,705,936,738	7.2
2001-02	3,944,827,039	--	134,308,141	4,079,135,180	10.1
2002-03	4,434,300,958	1,480,594	125,716,356	4,561,497,908	11.8
2003-04	5,088,665,652	1,228,881	103,270,476	5,193,165,009	13.8
2004-05	6,391,976,004	1,180,223	142,184,055	6,535,340,282	25.8
2005-06	8,243,542,907	1,160,065	156,426,241	8,401,129,213	28.5
2006-07	11,334,521,793	6,996,408	177,300,623	11,518,818,824	37.1
2007-08	13,524,748,395	246,949,439	189,562,117	13,961,259,951	21.2
2008-09	13,196,556,421	459,549,439	195,229,974	13,851,335,834	-0.8
2009-10	10,837,274,526	748,949,439	196,670,450	11,782,894,415	-14.9
2010-11	10,241,293,027	709,649,439	219,720,201	11,170,662,667	-5.2
2011-12	10,427,675,352	811,649,439	205,796,373	11,445,121,164	2.5
2012-13	10,201,916,776	577,544,771	247,425,679	11,026,887,226	-3.7
2013-14	10,829,455,653	440,244,771	294,904,763	11,564,605,187	4.9
2014-15	12,119,600,667	346,644,771	266,446,636	12,732,692,074	10.1
2015-16	13,165,252,706	295,044,771	244,154,999	13,704,452,476	7.6
2016-17	13,929,135,813	253,844,771	254,879,298	14,437,859,882	5.4
2017-18	15,051,726,350	105,844,771	300,051,253	15,457,622,374	7.1
2018-19	16,342,992,937	118,541,962	387,425,933	16,848,960,832	9.0
2019-20	17,714,769,391	14,241,962	336,848,965	18,065,860,318	7.2
2020-21	19,156,046,700	441,962	384,173,679	19,540,662,341	8.2

⁽¹⁾ Excludes assessed valuation from unitary utility roll.

Source: California Municipal Statistics, Inc.

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

In recent years California has experienced severe drought conditions. In January of 2014, the Governor declared a statewide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history, the State’s river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. Following the Governor’s declaration, the California State Water Resources Control Board (the “Water Board”) issued a statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. In April 2021, the Governor emergency drought declarations in two Northern California counties following two years of dry conditions. On May 10, 2021, the Governor expanded the emergency drought declaration to include an additional 29 counties throughout the State.

In addition, major wildfires have occurred in recent years in different regions of the State, including significant fires throughout the fall of 2020. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates.

Appeals and Adjustments of Assessed Valuations

Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the “SBE”), with the appropriate county board of equalization or assessment appeals board. In most cases, 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. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

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

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

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

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

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

Assessed Valuation and Parcels by Land Use

The following table is an analysis of the District's secured assessed valuation by land use.

ASSESSED VALUATION AND PARCELS BY LAND USE

Fiscal Year 2020-21

Perris Union High School District

	2020-21 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$228,829,360	1.19%	419	0.56%
Commercial/Industrial	1,643,344,778	8.58	1,013	1.36
Vacant Commercial/Industrial	486,995,728	2.54	874	1.18
Vacant Unclassified	<u>126,246,429</u>	<u>0.66</u>	<u>3,159</u>	<u>4.25</u>
Subtotal Non-Residential	\$2,485,416,295	12.97%	5,465	7.35%
Residential:				
Single Family Residence	\$13,926,872,510	72.70%	46,970	63.15%
Condominium/Townhouse	197,256,878	1.03	1,267	1.70
Mobile Homes/Lots	1,082,249,672	5.65	9,387	12.62
2-3 Residential Units	128,493,189	0.67	374	0.50
4+ Residential Units/Apartments	446,014,982	2.33	88	0.12
Miscellaneous Residential	32,986,425	0.17	121	0.16
Vacant Residential	<u>856,756,749</u>	<u>4.47</u>	<u>10,710</u>	<u>14.40</u>
Subtotal Residential	\$16,670,630,405	87.03%	68,917	92.65%
Total	\$19,156,046,700	100.00%	74,382	100.00%

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

Assessed Valuation Per Parcel of Single Family Homes

The following table is an analysis of the District's assessed valuation per parcel of single family homes for fiscal year 2020-21.

ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES Fiscal Year 2020-21 Perris Union High School District

	No. of <u>Parcels</u>	2020-21 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	46,970	\$13,926,872,510	\$296,506	\$297,137

2020-21 <u>Assessed Valuation</u>	No. of <u>Parcels</u> ⁽¹⁾	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$49,999	412	0.877%	0.877%	\$14,427,015	0.104%	0.104%
50,000 - 99,999	1,794	3.819	4.697	143,377,346	1.030	1.133
100,000 - 149,999	3,878	8.256	12.953	493,691,955	3.545	4.678
150,000 - 199,999	5,395	11.486	24.439	948,918,222	6.814	11.492
200,000 - 249,999	6,221	13.245	37.684	1,401,617,398	10.064	21.556
250,000 - 299,999	6,075	12.934	50.617	1,667,545,219	11.974	33.529
300,000 - 349,999	6,176	13.149	63.766	2,009,275,076	14.427	47.957
350,000 - 399,999	6,920	14.733	78.499	2,591,978,767	18.611	66.568
400,000 - 449,999	5,732	12.204	90.703	2,425,345,198	17.415	83.983
450,000 - 499,999	2,675	5.695	96.398	1,260,840,318	9.053	93.036
500,000 - 549,999	893	1.901	98.299	465,220,225	3.340	96.377
550,000 - 599,999	378	0.805	99.104	216,127,011	1.552	97.928
600,000 - 649,999	185	0.394	99.498	115,122,307	0.827	98.755
650,000 - 699,999	105	0.224	99.721	70,759,332	0.508	99.263
700,000 - 749,999	70	0.149	99.870	50,637,137	0.364	99.627
750,000 - 799,999	31	0.066	99.936	24,075,607	0.173	99.800
800,000 - 849,999	15	0.032	99.968	12,365,932	0.089	99.888
850,000 - 899,999	5	0.011	99.979	4,409,657	0.032	99.920
900,000 - 949,999	1	0.002	99.981	915,393	0.007	99.927
950,000 - 999,999	2	0.004	99.985	1,954,510	0.014	99.941
1,000,000 and greater	<u>7</u>	<u>0.015</u>	100.000	<u>8,268,885</u>	<u>0.059</u>	100.000
	46,970	100.000%		\$13,926,872,510	100.000%	

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

Assessed Valuation by Jurisdiction

The following table is an analysis of the District's assessed valuation by jurisdiction for fiscal year 2020-21.

ASSESSED VALUATION BY JURISDICTION⁽¹⁾

Fiscal Year 2020-21

Perris Union High School District

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Lake Elsinore	\$542,346,655	2.78%	\$6,966,811,360	7.78%
City of Menifee	11,267,026,116	57.66	\$11,267,026,116	100.00%
City of Murrieta	1,135,228,987	5.81	\$14,695,916,709	7.72%
City of Perris	2,806,225,319	14.36	\$7,566,648,449	37.09%
City of San Jacinto	4,367,271	0.02	\$3,475,279,399	0.13%
City of Wildomar	44,373,699	0.23	\$3,744,350,767	1.19%
Unincorporated Riverside County	<u>3,741,094,294</u>	<u>19.15</u>	\$48,833,169,207	7.66%
Total District	\$19,540,662,341	100.00%		
Riverside County	\$19,540,662,341	100.00%	\$313,229,882,842	6.24%

⁽¹⁾ Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies

The following table shows the secured tax charges and delinquencies for taxes collected in the District by the County from fiscal year 2012-13 through fiscal year 2019-20 with respect to the tax levy within the District for general obligation bonds.

SECURED TAX CHARGES AND DELINQUENCY RATES

Fiscal Years 2012-13 through 2019-20

Perris Union High School District

General Obligation Bond Debt Service Levy

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	Percent Delinquent June 30
2012-13	\$3,620,756.49	\$90,035.78	2.49%
2013-14	7,702,401.52	174,272.00	2.26
2014-15	7,734,501.66	140,824.28	1.82
2015-16	8,144,922.95	170,103.32	2.09
2016-17	8,529,850.47	179,619.56	2.11
2017-18	8,487,020.59	135,882.66	1.60
2018-19	8,596,201.41	179,335.10	2.09
2019-20	14,542,981.47	314,924.45	2.17

⁽¹⁾ District's general obligation bond debt service levy.

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment

With respect to collection of property taxes, the County has adopted the Teeter Plan, which is an alternate method of tax apportionment authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law") for distribution of certain property tax and assessment levies on the secured roll. Pursuant to the Law, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which secured

roll taxes and assessments are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total prior years delinquent secured property taxes and assessments (not including penalties and interest) and 100% of the current year's delinquent secured property taxes and assessments outstanding. Supplemental taxes are currently excluded from the Teeter Plan.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a level of 3% of the total of all taxes and assessments levied on the secured roll for that year, 1% of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by August 1 of any fiscal year, the 10% tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for the agency.

Tax Rates

Three representative tax rate areas located within the District, Tax Rate Area 26-111, Tax Rate Area 26-72, and Tax Rate Area 26-232, accounted for approximately 7.0%, 6.4%, and 2.7%, respectively, of the District's total assessed valuation in fiscal year 2020-21. The tables below summarize the total *ad*

valorem tax rates levied by all taxing entities in these three tax rate areas during the five-year period from 2016-17 to 2020-21.

**SUMMARY OF AD VALOREM TAX RATES
\$1 Per \$100 Of Assessed Valuation
Perris Union High School District**

Tax Rate Area 26-111: 2020-21 Assessed Valuation: \$1,369,399,972

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
General	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
Menifee Union School District	.03269	.06080	.06303	.06277	.06111
Perris Union High School District	.06092	.05675	.05243	.08244	.08569
Mt. San Jacinto Community College District	.01320	.01320	.01320	.01320	.01320
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Eastern Municipal Water District I.D. No. U-35	.02400	.01900	.01900	.01900	.01900
Eastern Municipal Water District I.D. No. U-36	.02400	.01900	.01900	.01900	.01900
Total	\$1.15831	\$1.17225	\$1.17016	\$1.19991	\$1.20150

**SUMMARY OF AD VALOREM TAX RATES (continued)
\$1 Per \$100 Of Assessed Valuation
Perris Union High School District**

Tax Rate Area 26-72: 2020-21 Assessed Valuation: \$1,244,009,279

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
General	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
Menifee Union School District	.03269	.06080	.06303	.06277	.06111
Perris Union High School District	.06092	.05675	.05243	.08244	.08569
Mt. San Jacinto Community College District	.01320	.01320	.01320	.01320	.01320
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	\$1.11031	\$1.13425	\$1.13216	\$1.16191	\$1.16350

Tax Rate Area 26-232: 2020-21 Assessed Valuation: \$532,019,472

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
General	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
Perris Union High School District	.06092	.05675	.05243	.08244	.08569
Mt. San Jacinto Community College District	.01320	.01320	.01320	.01320	.01320
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	\$1.07762	\$1.07345	\$1.06913	\$1.09914	\$1.10239

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest property taxpayers in the District as determined by secured assessed valuation in fiscal year 2020-21.

LARGEST 2020-21 LOCAL SECURED PROPERTY TAXPAYERS Perris Union High School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2020-21 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Jerome Malcom and Maxine Winer Trust	Apartments	\$90,540,000	0.47%
2.	Donahue Schriber Realty Group	Commercial	57,300,926	0.30
3.	Lennar Homes of California Inc.	Residential Development	55,602,311	0.29
4.	KB Home Coastal	Residential Development	54,296,600	0.28
5.	Pardee Homes	Residential Development	53,610,197	0.28
6.	Nuevo Perris	Nuevo Perris	52,306,867	0.27
7.	Antelope Ridge Apartments	Apartments	47,240,821	0.25
8.	Cantabria Development	Apartments	46,342,953	0.24
9.	Health Care REIT Inc.	Medical Facilities	45,144,297	0.24
10.	Dakota Winchester Apartments	Apartments	42,840,000	0.22
11.	Wal Mart Stores Inc.	Commercial	40,961,407	0.21
12.	Nuevo Development Co.	Agricultural/Rural	39,446,719	0.21
13.	Kaiser Foundation Hospitals	Medical Offices	35,711,799	0.19
14.	PHH Real Estate	Commercial	32,929,894	0.17
15.	CR&R Inc.	Commercial	31,348,513	0.16
16.	FR Cal Harvill Road	Commercial	29,447,174	0.15
17.	Mapleton Commons	Apartments	28,249,907	0.15
18.	Industrial Developers Realty	Undeveloped	26,928,000	0.14
19.	Encanto Apartment Homes	Apartments	22,921,520	0.12
20.	Target Corp	Commercial	<u>22,894,914</u>	<u>0.12</u>
			<u>\$856,064,819</u>	<u>4.47%</u>

⁽¹⁾ 2020-21 local secured assessed valuation: \$19,156,046,700.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc., as of May 1, 2021, for debt issued as of April 22, 2021. 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.

The table shows the percentage of each overlapping entity’s assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity’s existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the

percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Perris Union High School District**

2020-21 Assessed Valuation: \$19,540,662,341

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/21
Riverside County Flood Control District Zone No. 4 Benefit Assessment Districts	29.667%	\$3,043,834
Metropolitan Water District	0.591	158,565
Eastern Municipal Water District Improvement Districts	0.037-100.	18,271,622
Mount San Jacinto Community College District	19.132	50,269,330
Perris Union High School District	100.000	237,603,350⁽¹⁾
Menifee Union School District	100.000	128,099,720
Menifee Union School District Community Facilities Districts	100.000	202,490,000
Nuview School District	100.000	9,180,659
Perris School District	100.000	35,696,242
Perris School District Community Facilities District No. 2002-1	100.000	1,200,000
Perris Union High School District Community Facilities District Nos. 91-1 and 92-1	100.000	41,960,000
Romoland School District Community Facilities Districts	100.000	168,940,000
City of Lake Elsinore Community Facilities Districts	31.839-100.000	44,196,071
City of Murrieta Community Facilities Districts	100.000	36,127,676
City of Perris Community Facilities Districts	19.735-100.000	54,609,065
Riverside County Community Facilities Districts	4.890-100.000	28,890,577
Other Special District Community Facilities Districts	Various	72,359,354
City and Special District 1915 Act Bonds (Estimated)	Various	<u>7,062,464</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,140,158,529

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	6.238%	\$45,050,220
Riverside County Pension Obligation Bonds	6.238	54,992,649
Perris Union High School District Certificates of Participation	100.000	41,063,367
Menifee Union School District Certificates of Participation	100.000	46,426,771
Perris School District Certificates of Participation	100.000	4,960,000
City of Lake Elsinore General Fund Obligations	7.785	1,471,754
City of Murrieta General Fund Obligations	7.725	292,778
City of San Jacinto Pension Obligation Bonds	0.126	92
Western Municipal Water District General Fund Obligations	0.116	7,915
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$194,265,546

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$113,734,005

COMBINED TOTAL DEBT **\$1,448,158,080⁽²⁾**

Ratios to 2020-21 Assessed Valuation:

Direct Debt (\$237,603,350)	1.22%
Total Overlapping Tax and Assessment Debt	5.83%
Combined Direct Debt (\$278,666,717)	1.43%
Combined Total Debt	7.41%

Ratios to Redevelopment Incremental Valuation (\$2,012,450,904):

Total Overlapping Tax Increment Debt.....	5.65%
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⁽¹⁾ Excludes the Bonds.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax levied by the County for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein. Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98 and 111, 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 County to levy taxes on behalf of the District and of the District to 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 County to levy property taxes for payment of the principal of and interest on the Bonds. The tax levied by the County for payment of the Bonds was approved by the District’s voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the adjusted base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations” herein.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem* property, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds or more of all members of the State legislature (the “State Legislature”) to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

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

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.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

Proposition 50 and Proposition 171

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

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

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a

site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

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

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 SBE as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to counties by the 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. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education” herein.

Article XIII B of the California Constitution

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

- (a) “change in the cost of living” with respect to school districts and community college districts (collectively “K-14 school districts”) to mean the percentage change in State per capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year

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

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from

(a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

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

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

Article XIII B also includes a requirement that 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 pursuant to Section 8.5 of Article XVI of the State Constitution. See “– Propositions 98 and 111” below.

Article XIII C and Article XIII D of the California Constitution

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

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

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

Proposition 26

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

Propositions 98 and 111

On November 8, 1988, voters of the State 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 were modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-14 school districts at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in State per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such districts’ minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts’ base expenditures for calculating their entitlement for State aid in the next year, and the State’s appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) all appropriations for “qualified capital outlay projects” as defined by the State Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, 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.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (“Test 1”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (“Test 2”). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test (“Test 3”), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, schools will receive the amount appropriated in the prior year

adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary or high school district, such as the District), or \$25 (for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Proposition 1A and Proposition 22

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

require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was projected to be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the personal income tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "-- Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the

appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Jarvis v. Connell

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

Proposition 2

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

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

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

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers the

BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

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

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

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

The Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

Proposition 51

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

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, school districts that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

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

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 22, 26, 30, 39, 98, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

State Budget

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the

proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof.

2020-21 State Budget. On June 29, 2020, the Governor signed into law the State budget for fiscal year 2020-21 (the “2020-21 Budget”). The following information is drawn from the DOF’s and LAO’s summaries of the 2020-21 Budget.

As with the Governor’s May revision to the proposed State budget for fiscal year 2020-21 (the “2020-21 May Revision”), the 2020-21 Budget acknowledged that the rapid onset of COVID-19 had an immediate and severe impact on the State’s economy. The ensuing recession caused significant job losses, precipitous drops in family and business income, and exacerbated inequality. The 2020-21 Budget included a number of measures intended to address a projected deficit of \$54.3 billion identified by the 2020-21 May Revision, and occasioned principally by declines in the State’s three main tax revenues (personal income, sales and use, and corporate). The measures included in the 2020-21 Budget, and described below, were intended to close this deficit and set aside \$2.6 billion in the State’s traditional general fund reserve, including \$716 million for the State to respond to the changing conditions of the COVID-19 pandemic:

- *Draw Down of Reserves* – The 2020-21 Budget drew down \$8.8 billion in total State reserves, including \$7.8 billion from the BSA, \$450 million from the Safety Net Reserve and all funds in the PSSSA.
- *Triggers* – The 2020-21 Budget included \$11.1 billion in reductions and deferrals that would have been restored if at least \$14 billion in federal funds were received by October 15, 2020. If the State had received less than this amount, reductions and deferrals were to be partially restored. The triggers included \$6.6 billion in deferred spending on education, \$970 million in funding for the California State University and University of California systems, \$2.8 billion in State employee compensation and \$150 million for courts, as well as funding for various other State programs. The triggers would also have funded an additional \$250 million for county programs to backfill revenue losses. Such federal funds, however, were not received by the October 15 date identified in the 2020-21 Budget. The District can make no representation as to whether such federal funds will be received or in what amount. See “– Future Actions and Events” below.
- *Federal Funds* – The 2020-21 Budget relied on \$10.1 billion in federal funds allocated to the State, including \$8.1 billion of which had already been received as of the passage of the 2020-21 Budget. This relief included a temporary increase in the federal government’s share of Medicaid costs, a portion of the State’s Coronavirus Relief Fund allocation pursuant to the CARES Act and federal funds provided for childcare programs.
- *Borrowing/Transfers/Deferrals* – The 2020-21 Budget relied on \$9.3 billion in special fund borrowing and transfers, as well as deferrals to K-14 education discussed further herein. Approximately \$900 million of special fund borrowing was associated with reductions to State employee compensation and was to be subject to the triggers discussed above.
- *Increased Revenues* – The 2020-21 Budget temporarily suspended for three years net operating loss tax deductions for medium and large businesses and limited business tax credits, with an estimated increase in tax revenues of \$4.3 billion in fiscal year 2020-21.
- *Cancelled Expansions, Updated Assumptions and Other Measures* – The 2020-21 Budget included an additional \$10.6 billion of measures, including cancelling multiple programmatic expansions, anticipated governmental efficiencies, higher ongoing revenues above the forecast

included in the 2020-21 May Revision, and lower health and human services caseload costs than assumed by the 2020-21 May Revision.

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

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

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

- *Local Control Funding Formula* – The 2020-21 Budget provided for \$1.9 billion in LCFF apportionment deferrals for fiscal year 2019-20. The deferrals increased to \$11 billion in fiscal year 2020-21, which was to result in LCFF funding remaining at 2019-20 levels in both years. The 2020-21 Budget also suspended the statutory COLA in fiscal 2020-21. Of the total deferrals, \$5.8 billion were to be triggered off in fiscal year 2020-21 if sufficient federal funding for this purpose was received. Such federal funds, however, were not received by the October 15 date identified in the 2020-21 Budget. The District can make no representation as to whether such federal funds will be received or in what amount. See “– Future Actions and Events” below.
- *Learning Loss Mitigation* – The 2020-21 Budget included a one-time investment of \$5.3 billion (\$4.75 billion in CARES Act funding and \$539.9 million in Proposition 98 funding) to local educational agencies to address learning losses related to COVID-19 school closures. Of these funds, \$2.9 billion was to be allocated based on LCFF supplemental and concentration grant allocations, \$1.5 billion based on the number of students with exceptional needs, and \$979.8 million based on total LCFF allocations.
- *Supplemental Appropriations* – The 2020-21 Budget provided for a new, multi-year payment obligation to supplement K-14 education funding. The total obligation would equal approximately \$12.4 billion, and reflected the administration’s estimate of the additional funding K-14 school districts would have received in the absence of COVID-19-related reductions. Under this proposal the State will make annual payments toward this obligation beginning in fiscal year 2021-22. These payments would equal 1.5% of State general fund revenue. The 2020-21 Budget also increased the share of State general fund revenue required to be spent on K-14 school districts from 38% to 40% by fiscal year 2023-24.
- *CalSTRS/CalPERS* – The 2020-21 Budget redirected \$2.3 billion in funds previously appropriated for prefunding CalSTRS and CalPERS liabilities, and instead applied them to further reduce local educational agency contribution rates for such programs in fiscal years 2020-21 and 2021-22. This reduced CalSTRS employer rates to 16.15% in fiscal year 2020-21 and 16.02% in fiscal year 2021-

22. CalPERS employer rates would be reduced to 20.7% in fiscal year 2020-21 and 22.84% in fiscal year 2021-22. See also “THE DISTRICT – State Retirement Systems” herein.

- *Federal Funds* – In addition to the CARES Act funding previously discussed, the 2020-21 Budget appropriated \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds awarded to the State. Of this amount, approximately \$1.5 billion was to be allocated to local educational agencies in proportion to the amount of federal Title I-A funding such agencies receive, to be used for COVID-19 related costs. The remaining amount was to be allocated to state-level activities.
- *Temporary Revenue Increases* – As discussed above, as part of closing the State’s projected deficit, the 2020-21 Budget provided for a temporary revenue increase of approximately \$4.3 billion in fiscal year 2020-21, of which approximately \$1.6 billion counted towards the Proposition 98 funding guarantee.

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

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

For additional information regarding the 2020-21 Budget, see the DOF website at www.dof.ca.gov and the LAO website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

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

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

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

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

In recognition of the need to address the various impacts of the COVID-19 pandemic, the Proposed 2021-22 Budget includes a package of measures intended to be implemented through legislative action earlier than the traditional State budget timeline. For immediate action in January, this package includes \$3 billion in direct support for small businesses and low income earners (the latter principally through an income tax refund) and \$2 billion to support the re-opening of K-12 schools (as further described herein). For early action in the spring, the package includes \$4.6 billion in instructional support for K-14 school districts, \$973 million in jobs and workforce training, \$561 million in environmental sustainability measures and \$262 million in housing and homelessness-related measures.

As a result of the expected increases in State general fund revenues, the Proposed 2021-22 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2021-22 at \$85.8 billion, including \$60.8 billion from the State general fund. This represents a year-to-year increase of \$14.9 billion (or 21%) over the level included in the 2020-21 Budget. With respect to K-12 education, the minimum funding guarantee

is set at \$75.9 billion. The Proposed 2021-22 Budget also makes retroactive increases to the minimum funding guarantee in fiscal years 2019-20 and 2020-21 of \$1.9 billion and \$11.9 billion, respectively, due almost exclusively to increases in allocable general fund revenues in those years. As a result of these revisions, total per-pupil expenditures for K-12 education are projected to be \$18,837 in fiscal year 2020-21 and \$18,000 in fiscal year 2021-22. The year-to-year decrease reflects a significant allocation of one-time federal funding in fiscal year 2020-21. Ongoing per-pupil spending from Proposition 98 funding is \$12,648 in fiscal year 2021-22, an increase of \$1,994 from the level provided in the 2020-21 Budget.

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

- *Re-opening Schools* – \$2 billion in one-time Proposition 98 funding available beginning in February 2021 to augment resources for local educational agencies to resume safe, in-person instruction. Funding will be available on a per-pupil basis for all county schools, school districts and charter schools (with the exception of non-classroom based charter schools and independent study programs) that continue or commence in-person instruction by set dates. Specifically, all such educational agencies that continue or resume instruction (i) by February 16, 2021 for all transitional Kindergarten through 2nd grade students, disabled students, foster and homeless youth, and students without access to technology or high-speed internet, and (ii) by March 15, 2021 for all 3rd grade students, will be eligible for base grants starting at \$450 and increasing to more than \$700 per pupil for schools with higher enrollments of EL/LI students. Schools with later start dates will qualify for proportionally lower base grants, except those schools in counties with high rates of COVID-19 community spread. Schools in counties with high rates of community spread will be eligible for the full February grant amount if they re-open for instruction pursuant to State and local health guidance. Funds may be used for any purpose that supports instruction, including enhancing and expanding COVID-19 testing, personal protective equipment, improving ventilation and the safety of indoor and outdoor spaces, teacher and staff salaries for those providing and supporting in-person instruction, and social and mental health supportive services. See also “– Assembly Bill 86” herein.
- *Local Control Funding Formula* – \$64.5 billion in total LCFF funding, including an allocation to fund a combined COLA of 3.84%. This reflects both the 2.31% COLA that would have been due in fiscal year 2020-21, and which was suspended by the 2020-21 Budget, and a 1.5% adjustment for fiscal year 2021-22. With few exceptions, the Proposed 2021-22 Budget assumes in-person instruction in fiscal year 2021-22, and accordingly does not provide a ADA hold-harmless for purposes of calculating apportionments. However, because of the hold-harmless provided for fiscal year 2020-21 by the prior year’s budgetary legislation, local educational agencies that experience enrollment declines in fiscal year 2021-22 will retain the ability to receive apportionments based on the higher of their 2019-20 or 2020-21 ADA. The Proposed 2021-22 Budget also provides an increase of \$10.2 million in ongoing Proposition 98 funding to reflect a 1.5% COLA for county offices of education.
- *Categorical Programs* – An increase of \$85.7 million in ongoing Proposition 98 funding to reflect a 1.5% COLA for categorical programs which remain outside of the LCFF.
- *Deferrals* – The 2020-21 Budget deferred approximately \$12.5 billion in payments to K-14 school districts. The Proposed 2021-22 Budget would pay down \$8.4 billion of this amount, with districts receiving the associated cash in fiscal year 2021-22. Approximately \$4 billion would remain deferred from fiscal year 2021-22 to fiscal year 2022-23.
- *Supplemental Payment* – The 2020-21 Budget provided for a new, multi-year payment obligation to avoid a permanent decline in K-14 education funding as a result of then-projected

reductions in available revenues. The Proposed 2021-22 Budget would eliminate this supplemental payment obligation in its entirety, but would fund a one-time payment in fiscal year 2021-22.

- *Educator and Professional Development* – \$315.3 million to develop quality training in high-need areas and provide timely access to training. The Proposed 2021-22 Budget also includes \$225 million to improve the State’s teacher pipeline, including providing grants to students enrolled in teacher preparation programs, support for clinical teacher preparation programs and grants to recruit non-certificated school employees.
- *Community Schools* – \$264.9 million in one-time Proposition 98 funding to expand networks of community schools and establish new community schools, which typically integrate health, mental health and other services for students and families and provide these services directly on school campuses.
- *Learning Loss Mitigation* – \$4.6 billion in one-time Proposition 98 funding to facilitate targeted interventions by local educational agencies that focus on student achievement and well-being most affected by COVID-19 related disruptions to educational learning, including interventions with low-income families, English-learners and foster and homeless youth. See also “– Assembly Bill 86” herein.
- *Federal Funds* – As a result of recent federal stimulus legislation, the Proposed 2021-22 Budget estimates that the State could receive more than \$6 billion for the Elementary and Secondary Schools Emergency Relief Fund and \$400 million for the Governor’s Emergency Education Relief Fund. These funds are expected to assist schools in reopening and remaining open for in-person instruction.
- *Proposition 51* – The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative approved at the November 8, 2016 election that authorizes the sale and issuance of \$9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities. The Proposed 2020-21 Budget allocates \$1.5 billion of such bond funds for K-12 school facility projects.

For additional information regarding the 2020-21 Budget and the Proposed 2021-22 Budget, see the DOF website at www.dof.ca.gov and the LAO website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Assembly Bill 86. On March 4, 2021, the Governor signed into law Assembly Bill 86 (“AB 86”), urgency legislation which provides approximately \$6.6 billion to accelerate the return of in-person school instruction and expand student support. Specifically, AB 86 provides \$2 billion for in-person instruction grants to local educational agencies (with the exception of non-classroom based charter schools and independent study programs) that can be used for, among other things, personal protective equipment, ventilation upgrades and COVID-19 testing. To qualify for the funding, local educational agencies will be required to offer in-person instruction for Kindergarten through second grade, and all grades levels for high-need students, by March 31, 2021, losing 1% of eligible funds for every day thereafter if they do not. Schools in the Blueprint’s red, orange or yellow tiers are required to offer in-person instruction to all elementary grades and at least one middle or high school grade or risk losing the same amount of funding. Local educational agencies will forfeit eligibility for all funding if they do not resume in-person instruction by May 15, 2021. Funding will be allocated proportionally on the basis of LCFF funding entitlements, determined as of the 2020-21 second principal apportionment certification.

The remaining \$4.6 billion is allocated for supplemental instruction and support for social and emotional well-being. Schools will be able to use the funds for, among other things, providing more instructional time (including summer school), tutoring, learning recovery programs, mental health services, access to school meal programs, programs to address pupil trauma and supports for credit-deficient students. Funding will be allocated proportionally on the basis of LCFF funding entitlements, determined as of the 2020-21 second principal apportionment certification. Local educational agencies will also receive an additional \$1,000 for each homeless pupil enrolled in the 2020-21 fiscal year.

AB 86 also codifies several State programs that support the safe re-opening of schools, including (i) setting aside 10% of available vaccines for education workers, (ii) COVID-19-related data reporting requirements, and (iii) additional funding for the State's "Safe Schools Team," which provides technical assistance and oversight to schools that experience COVID-19 outbreaks.

May Revision. On May 14, 2021, the Governor released his May revision (the "May Revision") to the Proposed 2021-22 Budget. The following information is drawn from the DOF's summary of the May Revision.

The May Revision reflects a significantly improved fiscal outlook since the beginning of the COVID-19 pandemic. As compared to the \$54 billion deficit projected in the 2020-21 State Budget, the May Revision projects a total budgetary surplus of approximately \$75.7 billion. This figure includes funds available for certain constitutionally-required spending on K-14 school districts, reserves and debt payments. Revenue projections are also significantly improved from the levels included in the Proposed 2021-22 Budget, primarily due to strong State cash trends, the passage of two major federal relief bills and continued improvement in the stock market. The State is also expected to receive an additional \$27 billion in COVID-19 relief funds from the American Rescue Plan (as defined herein). See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein. This brings the total amount of federal stimulus funds for State programs to over \$275 billion.

For fiscal year 2020-21, the May Revision projects total general fund revenues and transfers of \$187 billion and expenditures of \$165.2 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of approximately \$39.3 billion, including \$24.3 billion in the traditional State reserve, \$12.5 billion in the BSA, \$2 billion in the PSSSA and \$450 million in the Safety Net Reserve Fund. For fiscal year 2021-22, the May Revision projects total general fund revenues and transfers of \$176 billion and authorizes expenditures of \$196.8 billion. The State is projected to end the 2021-22 fiscal year with total available general fund reserves of approximately \$24.4 billion, including \$3.4 billion in the traditional general fund reserve, \$15.9 billion in the BSA, \$4.6 billion in the PSSSA and \$450 million in the Safety Net Reserve Fund. As a result of the projected year-end balance in the PSSSA, school district reserve caps would be triggered in fiscal year 2022-23 under the provisions of SB 858 and SB 751. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

The May Revision sets the Proposition 98 minimum funding guarantee for fiscal year 2021-22 at \$93.7 billion. The Proposed 2021-22 Budget also makes retroactive increases to the minimum funding guarantee in fiscal years 2019-20 and 2020-21, due almost exclusively to increases in allocable general fund revenues in those years. Over the three-year period, the minimum funding guarantee has increased \$17.7 billion over the amount projected by the 2020-21 Budget. As a result of these revisions, total per-pupil expenditures for K-12 education are projected to be \$13,977 in fiscal year 2021-22.

Additionally, excess revenues above the State appropriations limit in fiscal year 2020-21 and 2021-22 create a Constitutional obligation for the State to make a one-time payment to K-14 school districts in addition to the Proposition 98 minimum funding guarantee, and allocated based on K-12 ADA and full-

time equivalent community college students. While this payment amount will not be finalized until the State's 2023-24 budget, the Administration currently anticipates that it will total approximately \$8.1 billion, and will be provided to K-14 school districts in the 2022-23 fiscal year.

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

- *Re-opening Schools* – The May Revision assumes a return to full-time, in-person instruction for the 2021-22 school year. Consistent with all school years prior to 2020-21, this mode of instruction will be the default for all students and schools, and generally one of only two ways in which local educational agencies can earn state apportionment funding in 2021-22. In connection therewith, the May Revision proposes \$2 billion one-time Proposition 98 funding for health and safety activities, including testing and vaccine initiatives, enhanced cleaning, personal protective equipment, and improved ventilation. These funds will supplement the \$2 billion appropriated by AB 86. See “—Assembly Bill 86” herein. Acknowledging that some parents may still be hesitant to send their children back to school for in-person instruction, the May Revision proposes a series of improvements to the State's existing independent study programs that are intended to provide local educational agencies with an option to generate State funding via high-quality non-classroom based instruction.
- *Local Control Funding Formula* – The Proposed 2021-22 Budget included \$64.5 billion in total LCFF Funding, including a combined COLA of 3.84% covering fiscal years 2020-21 and 2021-22. The May Revision would increase this COLA by 0.2%, for a total combined COLA of 4.05%. To assist local educational agencies address ongoing fiscal pressures, the May Revision also includes \$520 million in Proposition 98 funding to provide a 1% increase in LCFF base funding. The May Revision also provides an increase of \$29.7 million in ongoing Proposition 98 funding to reflect a 2.7% COLA for county offices of education.
- *Categorical Programs* – An increase of \$2.4 million in ongoing Proposition 98 funding to reflect a 1.7% COLA for categorical programs which remain outside of the LCFF.
- *Deferrals* – The 2020-21 Budget deferred approximately \$12.5 billion in payments to K-14 school districts. The Proposed 2021-22 Budget proposed paying down \$8.4 billion of this amount, with districts receiving the associated cash in fiscal year 2021-22. The May Revision pays down an additional \$1.1 billion, leaving approximately \$2.6 billion that would remain deferred from fiscal year 2021-22 to fiscal year 2022-23.
- *Supplemental Payment* – The 2020-21 Budget provided for a new, multi-year payment obligation to avoid a permanent decline in K-14 education funding as a result of then-projected reductions in available revenues. The Proposed 2021-22 Budget would have eliminated this supplemental payment obligation in its entirety, but proposed a one-time payment of \$2.3 billion in fiscal year 2021-22. As a result of revised increases in the minimum funding guarantee, the May Revision would also eliminate the one-time payment.
- *Community Schools* – \$3 billion in one-time Proposition 98 funding, available over several fiscal years, to further expand the implementation and use of community school models, which typically integrate health, mental health and other services for students and families and provide these services directly on school campuses.
- *Student Support* – An ongoing increase of \$1.1 billion to LCFF concentration grants for student support. Local educational agencies that are recipients of these funds will be required to demonstrate how these funds will be used to increase the number of certificated and classified

staff on their campuses, including counselors, nurses, teachers, paraprofessionals and other student support providers. In addition, the May Revision also provides \$30 million in one-time Proposition 98 funding to county offices of education to work with local partners to coordinate and provide direct student support services. Finally, the May Revision provides \$2 billion in one-time federal funds and \$623 million in one-time Proposition 98 funding to provide research-tested interventions for students, including intensive tutoring. These funds are in addition to similar funding provided by AB 86. See “—Assembly Bill 86” herein.

- *Educator Development* - \$3.3 billion to support various educator initiatives, including workforce preparation, training and retention.
- *Nutrition* - \$150 million in ongoing Proposition 98 funding to encourage local educational agencies to participate in one of the federal universal meal provisions, which allow schools to serve breakfast and lunch meals at no charge to all students. The May Revision also provides \$100 million in one-time Proposition 98 funding to provide school kitchen infrastructure upgrades and training for cafeteria staff.
- *Special Education* – \$277.7 million in one-time federal funding to local educational agencies to increase statewide special education resources. The May Revision also includes \$117.7 million in Proposition 98 funding to fund a 1.5% COLA for State special education funding.
- *Career Technical Education* – \$86.4 million in one-time Proposition 98 funding for career technical regional occupational centers or programs operated by a joint powers authority to address costs associate with COVID-19.

For additional information regarding the May Revision, see the DOF website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

Future Actions and Events. The District cannot predict what additional actions will be taken in the future by the Legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools. The COVID-19 pandemic has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, the pandemic could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. The District also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 pandemic described above. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

THE DISTRICT

Introduction

The District was incorporated on August 23, 1897, and covers approximately 182 square miles in the northwestern part of the County just south of the City of Riverside. A majority of the City of Perris, all of the City of Menifee, and all of the unincorporated communities of Sun City, Lakeview, Nuevo, Romoland, and Homeland are situated within the District’s boundaries, as well as a portion of the cities of Lake Elsinore, Murrieta, San Jacinto and Wildomar. The City of Perris is located 18 miles south of the City of Riverside, 75 miles northeast of the City of San Diego and 70 miles east of the City of Los Angeles.

The District currently operates one middle school, three comprehensive high schools, one continuation high school and one online independent study school. The District provides education for grades 7-12 for students generated by the Perris Elementary School District and grades 9-12 for students generated by the Menifee Union School District, the Nuview Union School District and the Romoland School District. The District additionally operates an adult education program, a functional skills special education school for students aged 18-22, and a military-based dependent charter school for grades 5-12.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, Attention: Deputy Superintendent, Business Services. The District may impose a charge for copying, mailing and handling.

Administration

The governing board of the District (the “Board”) consists of five elected members. Members are elected to serve staggered four-year terms. Elections for positions to the Board are held every two years, alternating between two and three available positions. A president is elected by members of the Board each year. The day-to-day affairs of the District are the responsibility of the Superintendent. Current members of the Board, together with their offices and the dates their current terms expire, are listed below.

BOARD OF TRUSTEES Perris Union High School District

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Dr. Jose Luis Araux	President	December, 2022
Anthony T. Stafford, Sr.	Vice President	December, 2024
Dr. Randall Freeman	Clerk	December, 2022
David G. Nelissen	Member	December, 2024
Elizabeth Vallejo	Member	December, 2024

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Brief biographies of the Superintendent and the Deputy Superintendent, Business Services of the District are listed below:

Grant Bennett, Superintendent. Mr. Bennett has been with the District for 28 years, serving as Superintendent for almost 5 years. He began his career as a Math teacher and later moved into school site administration as an Assistant Principal and Principal. In 2009 Mr. Bennett moved to the district office, where he first served as the Director of Pupil Services before moving over to Curriculum and Instruction. He then spent one year as the Assistant Superintendent of Educational Services, before becoming District

Superintendent. Mr. Bennett received his Bachelor’s degree in Mathematics from California State University, Long Beach and a Master’s degree in Educational Administration from National University.

Candace Reines, Deputy Superintendent, Business Services. Ms. Reines has served the District since 2006. Prior to her current position, she served for two years as the Director of Fiscal Services for the District. She has worked in the field of school business for 18 years. Ms. Reines holds a Bachelor of Science in Organizational Leadership and a Master of Arts in Leadership and Organizational Studies, both from Azusa Pacific University. Ms. Reines is licensed through the California Association of School Business Officials and is a Certified Chief Business Official.

Enrollment Trends

The following table shows the enrollment history for the District.

**ANNUAL ENROLLMENT
Fiscal Years 2010-11 Through 2020-21
Perris Union High School District**

<u>Year</u>	<u>Enrollment⁽¹⁾</u>	<u>Annual Change</u>	<u>Annual % Change</u>
2010-11	9,649	-1	--
2011-12	9,636	-13	-0.1%
2012-13	9,518	-118	-1.2
2013-14	9,366	-152	-1.6
2014-15	9,541	175	1.9
2015-16	9,703	162	1.7
2016-17	9,755	52	0.5
2017-18	9,827	72	0.7
2018-19	9,844	17	0.2
2019-20			
2020-21			

⁽¹⁾ Reflects enrollment as of the October CBEDS for fiscal years 2010-11 through 2012-13, and October CALPADS for fiscal years 2013-14 through 2020-21. Does not include charter school enrollment.

Source: *The District.*

Labor Relations

As of March 2021, the District employed approximately ____ full-time equivalent (“FTE”) certificated employees and approximately ____ FTE classified employees. These employees, except management, confidential and other non-represented employees are represented by two bargaining units as noted below:

**LABOR BARGAINING UNITS
Perris Union High School District**

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Perris Secondary Educators Association		June 30, 2021
California School Employees Association		June 30, 20__

Source: *The District.*

State Retirement Systems

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, the Financial Advisor or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer or State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

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

MEMBER CONTRIBUTION RATES STRS Defined Benefit Program

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

Source: AB 1469.

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

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

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

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

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

Source: AB 1469.

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

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

The District's contributions to STRS were \$6,213,465 in fiscal year 2016-17, \$7,418,500 in fiscal year 2017-18, \$ _____ in fiscal year 2018-19, and \$ _____ in fiscal year 2019-20. The District currently projects \$ _____ for its contribution to STRS in fiscal year 2020-21. For more information, see Note 14 to the audited financial statements of the District for the year ended June 30, 2020, attached hereto as Appendix A.

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

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants on June 30, 2019 included 1,612 public agencies and 1,319 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

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

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

“CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – State Budget Measures – 2020-21 State Budget” herein.

The District’s contributions to PERS were \$2,595,788 in fiscal year 2016-17, \$3,029,876 for fiscal year 2017-18, \$ _____ in fiscal year 2018-19, and \$ _____ in fiscal year 2019-20. The District currently projects \$ _____ for its contribution to PERS in fiscal year 2020-21. For more information, see Note 14 to the audited financial statements of the District for the year ended June 30, 2020, attached hereto as Appendix A.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The table on the following page summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

The following table sets forth information regarding the actuarially-determined accrued liabilities of both STRS and PERS.

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

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

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

(1) Amounts may not add due to rounding.

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

(3) Reflects actuarial value of assets.

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

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

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

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

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

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

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

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

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means

employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

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

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

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

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

On April 21, 2020, the PERS Board established the employer contribution rates for fiscal year 2020-21 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2019, ahead of its release date in the latter half of 2020. From June 30, 2018 to June 30, 2019 the funded status for the Schools Pool decreased by 1.9% (from 70.4% to 68.5%); mainly due to the reduction in the discount rate from 7.25% to 7.00% and investment return in 2018-19 being lower than expected. The funded status as of June 30, 2019 does not reflect the State's additional payment of \$660 million that was made pursuant to SB 90, since PERS received the payment in July 2019. PERS attributes the decline in the funded status over the last five years to recent investment losses in excess of investment gains, adoption of new assumptions, both demographic and economic, lowering of the discount rate, and negative amortization.

Assuming all actuarial assumptions are realized, including investment return of 7% in fiscal year 2019-20, that no changes to assumptions, methods of benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the contribution rate was projected to increase annually, resulting in a projected 26.2% employer contribution rate for fiscal year 2026-27. As of the April 21, 2020, PERS reported that the year to date return for the 2019-20 fiscal year was well below the 7% assumed return.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

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

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources,

deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

District Net Pension Liabilities. For the fiscal year ended June 30, 2020, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$88,423,994	\$27,853,415	\$7,832,964	\$11,853,358
CalPERS	43,167,079	9,752,275	400,382	7,880,695
Total	\$131,591,073	\$37,605,690	\$8,233,346	\$19,734,053

See also Note 14 to the audited financial statements of the District for the year ended June 30, 2020, attached hereto as Appendix A.

Post-Employment Benefits

The Medicare Premium (“MPP Program”) is administered by STRS. The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes 2000 (SB 1435). STRS administers the MPP Program through the Teachers’ Health Benefits Fund.

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRP DB Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis. The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California Education Code Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

At June 30, 2020, the District reported a liability of \$644,974 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined.

The District’s proportionate share for the measurement period June 30, 2019, and June 30, 2018, was 0.1732 percent and 0.1685 percent, respectively, resulting in a net increase in proportionate share of 0.0047 percent. For the year ended June 30, 2020, the District recognized OPEB expense of (\$22). The District currently projects a contribution of \$ _____ to the MPP Program for fiscal year 2020-21.

See Note 10 to the fiscal year 2019-20 audited financial statements of the District included in Appendix A hereto.

Joint Powers Authorities

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. The District purchases coverage for property damage with limits up to a maximum of \$250,000,000, subject to various policy sublimits generally ranging from \$500 to \$10,000,000 and deductibles ranging from \$500 to \$25,000. The District also purchases coverage for general and auto liability claims with limits up to \$50,000,000 per occurrence various aggregates throughout the structure, all subject to various deductibles up to \$5,000 per occurrence. The District participates in a finite risk sharing pool for workers' compensation coverage up to \$150,000,000 per occurrence with no self-insured retention. Employee health benefits are provided through a local joint powers authority. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

During fiscal year ending June 30, 2018, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority ("RSIA"), a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

For fiscal year 2018, the District participated in the Riverside Schools' Risk Management Authority ("RSRMA"), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges ("PIPS"), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

The District is a member of the Riverside Employer/Employee Partnership ("REEP") to provide employee health benefits. REEP is a shared risk pool comprised of various school districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return moneys to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

The relationships between the District and each of the Joint Powers Authorities are such that they are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's financial statements; however, fund transactions between the entities and the District are included therein. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$1,496,269, \$8,937,827, and \$758,854 to RSRMA, REEP, and RSIA, respectively.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances 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 from the proceeds of ad valorem taxes required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment."

State Funding of Education

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

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

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

The primary component of AB 97, as amended by SB 91, was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of State categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment has been calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts have had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget" herein.

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

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

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2021-22.

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ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2021-22
Perris Union High School District

Fiscal Year	Average Daily Attendance⁽¹⁾			Enrollment⁽²⁾	
	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment
2012-13	1,105	7,730	8,835	9,518	71.70%
2013-14	1,084	7,661	8,745	9,366	71.81
2014-15	1,116	7,760	8,876	9,541	72.60
2015-16	1,112	7,950	9,062	9,703	74.26
2016-17	1,103	7,967	9,069	9,755	73.87
2017-18	1,090	8,025	9,115	9,827	74.62
2018-19				9,844	71.44
2019-20					
2020-21 ⁽³⁾					
2021-22 ⁽⁴⁾					

(1) Reflects ADA as of the second principal reporting period (“P-2 ADA”), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. Reflects projected ADA for fiscal year 2020-21 and budgeted ADA for fiscal year 2021-22. Figures may not sum to totals due to rounding.

(2) For fiscal year 2012-13, reflects enrollment as of the October report submitted to the California Basic Educational Data System (“CBEDS”) in such school year. For fiscal years 2013-14 and later, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and is used to calculate each school district’s unduplicated EL/LI student enrollment. CALPADS figures exclude preschool and adult transitional students. Adjustments may be made to the certified EL/LI counts by the California Department of Education. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students is based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(3) Projected.

(4) Budgeted.

Source: *The District*.

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

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants will be multiplied by such district’s P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district’s share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts.

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

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

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

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

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

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic

trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several school district programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, developer fees, and other local sources.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (“*Matosantos*”), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22” herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide.

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

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

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

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

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

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

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

Considerations Regarding COVID-19

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

The spread of COVID-19 is having significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and

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

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

On March 17, 2020, Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”) were signed by the Governor, both of which take effect immediately. SB 89 amends the Budget Act of 2019 by appropriating \$500,000,000 from the State general fund for any purpose related to the Governor’s March 4, 2020 emergency proclamation. SB 117, among other things, (i) specifies that for school districts that comply with Executive Order N-26-20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty because of a school closed due to the COVID-19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID-19, (iii) requires a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID-19, and (iv) appropriates \$100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites.

On March 19, 2020, the Governor ordered all California residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the “Stay Home Order”).

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

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the declines in the U.S. and global

stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years. See also "THE DISTRICT – State Retirement Systems" herein.

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

The ultimate impact of COVID-19 on the District's operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District, or adversely impact enrollment or average daily attendance within the District and, notwithstanding Executive Order N-26-20 or SB 117, materially adversely impact the financial condition or operations of the District. See also "TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations" herein.

Accounting Practices

The accounting policies 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 Education Code Section 41010, is to be followed by all State school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements of the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Office of the Deputy Superintendent, Business Services of the Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, telephone: (951) 943-6369. The audited financial statements of the District for the year ended June 30, 2020, are included in Appendix A hereto.

Comparative Financial Statements

The following table reflects the District's general fund revenues, expenditures and fund balances from fiscal year 2015-16 to fiscal year 2019-20.

AUDITED FINANCIAL STATEMENTS
Statement of Revenues, Expenditures and Changes in Fund
Balances – General Fund – Fiscal Years 2015-16 through 2019-20⁽¹⁾
Perris Union High School District

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
REVENUES					
Local Control Funding Formula	\$87,993,269	\$94,325,125	\$97,744,720	\$104,838,388	\$108,010,171
Federal sources	7,471,831	8,043,640	7,983,360	8,233,959	7,302,025
Other State sources	13,616,785	10,187,948	11,234,793	14,777,297	10,386,530
Other local sources	<u>4,094,660</u>	<u>7,273,674</u>	<u>3,097,319</u>	<u>6,394,500</u>	<u>8,058,305</u>
Total Revenues	113,176,545	119,830,387	120,060,192	134,244,144	133,757,031
EXPENDITURES					
Current					
Instruction	62,328,799	68,435,377	70,067,748	77,032,898	75,813,495
Instruction-related activities:					
Supervision of instruction	2,969,819	2,801,937	2,492,971	3,553,368	3,793,157
Instructional library, media and technology	1,416,005	847,166	887,854	1,181,671	1,215,465
School site administration	6,621,298	6,320,248	7,259,752	7,854,456	8,543,629
Pupil Services:					
Home-to-school transportation	3,404,125	4,005,169	3,807,248	3,956,793	3,648,850
Food services	--	276	23,698	108,858	9,636
All other pupil services	7,354,683	8,263,758	9,363,944	10,203,250	10,280,380
Administration:					
Data processing	1,533,929	2,045,935	2,453,127	1,937,641	2,175,385
All other administration	5,509,116	5,401,464	4,892,358	5,868,683	5,829,641
Plant services	11,492,885	10,944,367	12,559,600	13,776,055	12,932,950
Ancillary services	2,053,733	2,215,816	2,386,335	2,842,369	2,726,154
Community services	3,798	9,151	18,163	16,567	9,247
Other outgo	647,120	719,071	1,021,479	793,954	766,051
Facility acquisition and construction	3,944,413	3,995,546	4,724,134	2,031,451	1,570,492
Debt service:					
Principal	621,118	1,338,253	165,753	169,896	174,144
Interest and other	--	21,250	17,207	13,063	8,816
Total Expenditures	109,900,841	117,364,784	122,141,371	131,340,973	129,497,492
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,275,704	2,465,603	(2,081,179)	2,903,171	4,259,539
Other Financing Sources (Uses):					
Transfers in	--	--	--	163,532	--
Other sources	--	--	--	--	--
Transfers out	<u>(62,904)</u>	<u>--</u>	<u>(38,541)</u>	<u>(42,563)</u>	<u>(40,700)</u>
Net Financing Sources (Uses)	(62,904)	--	(38,541)	120,969	(40,700)
NET CHANGE IN FUND BALANCES	3,212,800	2,465,603	(2,119,720)	3,024,140	4,218,839
Fund Balance – Beginning	<u>8,801,111</u>	<u>12,013,911</u>	<u>14,479,514</u>	<u>12,359,794</u>	<u>15,383,934</u>
Fund Balances – Ending	<u>\$12,013,911</u>	<u>\$14,479,514</u>	<u>\$12,359,794</u>	<u>\$15,383,934</u>	<u>\$19,602,773</u>

⁽¹⁾ For projected general fund revenues, expenditures and changes in fund balance for fiscal year 2020-21, see “ – General Fund Budgets” below.
Source: The District.

Budget Process

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

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

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

A school district whose budget has been disapproved must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent’s recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, must approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a school district’s budget is approved, the school district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a “negative” certification of an Interim Report pursuant to AB 1200. The District received “qualified” certifications of its interim reports from its fiscal year 2010-11 Second Interim Report through its fiscal year 2012-13 Second Interim Report. The District received “positive” certifications of each of its interim reports since such time.

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General Fund Budgets

The District's general fund budgets for the fiscal years ending June 30, 2019, through June 30, 2022, actual results for the fiscal years ending June 30, 2019, through June 30, 2020, and projected ending results for the fiscal year ending June 30, 2021, are set forth in the following table.

GENERAL FUND BUDGETS FOR FISCAL YEARS ENDING JUNE 30, 2017 THROUGH JUNE 30, 2020 AND ACTUAL RESULTS FOR FISCAL YEARS ENDING JUNE 30, 2017 THROUGH JUNE 30, 2019 Perris Union High School District

	2018-19 Budget ⁽¹⁾	2018-19 Actual ⁽¹⁾	2019-20 Budget ⁽¹⁾	2019-20 Actual ⁽¹⁾	2020-21 Budget ⁽²⁾⁽³⁾	2020-21 Projected ⁽²⁾⁽⁴⁾	2021-22 Budget ⁽⁴⁾
REVENUES							
Local Control Funding Formula	\$105,369,529	\$104,838,388	\$108,147,379	\$108,010,171	\$98,626,507	\$107,651,257	
Federal sources	6,797,413	8,233,959	7,602,927	7,302,025	9,223,612	19,680,547	
Other State sources	10,314,079	14,777,297	7,561,127	10,386,530	9,976,013	11,367,543	
Other local sources	<u>5,264,063</u>	<u>6,394,500</u>	<u>5,838,318</u>	<u>8,058,305</u>	<u>6,166,371</u>	<u>7,734,616</u>	
Total Revenues⁽²⁾	127,745,084	134,244,144	129,149,751	133,757,031	123,992,503	146,433,963	
EXPENDITURES							
Current							
Certificated salaries	49,528,257	51,564,952	53,616,625	52,800,206	53,528,837	53,312,368	
Classified salaries	18,807,667	19,211,751	20,726,956	19,910,019	20,875,978	19,680,086	
Employee benefits	28,764,649	33,353,219	31,858,398	32,521,092	33,978,116	34,001,081	
Books and supplies	6,911,621	6,442,749	5,663,489	4,991,099	4,585,284	7,038,704	
Services and operating expenditures	17,980,692	17,481,739	16,898,796	15,962,387	16,010,762	19,696,693	
Other Outgo	551,269	111,119	--	766,051	991,589	1,138,273	
Transfers of Indirect Costs	--	--	--	--	(742,692)	(650,472)	
Capital Outlay	4,932,725	2,992,485	1,714,861	2,363,678	3,604,121	3,431,962	
Debt Service							
Principal	--	169,896	172,960	174,144	--	--	
Interest	--	<u>13,063</u>	<u>10,000</u>	<u>8,816</u>	--	--	
Total Expenditures⁽²⁾	127,476,880	131,340,973	130,662,085	129,497,492	132,831,995	137,648,695	
Excess (Deficiency) of Revenues Over (Under) Expenditures	268,204	2,903,171	(1,512,334)	4,259,539	(8,839,492)	8,785,269	
Other Financing Sources (Uses):							
Transfers in	--	163,532	--	--	--	--	
Transfers out	--	<u>(42,563)</u>	<u>(40,745)</u>	<u>(40,700)</u>	<u>(41,868)</u>	<u>(41,868)</u>	
Net Financing Sources (Uses)	--	120,969	(40,745)	(40,700)	(41,868)	(41,868)	
NET CHANGE IN FUND BALANCES	268,204	3,024,140	(1,553,079)	4,218,839	(8,881,360)	8,743,401	
Fund Balance – Beginning	<u>12,359,794</u>	<u>12,359,794</u>	<u>15,383,934</u>	<u>15,383,934</u>	<u>19,602,773</u>	<u>19,602,773</u>	
Fund Balances – Ending	<u>\$12,627,998</u>	<u>\$15,383,934</u>	<u>\$13,830,855</u>	<u>\$19,602,773</u>	<u>\$10,721,413</u>	<u>\$28,346,173</u>	

⁽¹⁾ Sourced from the District's audited financial statements for each fiscal year. Budget figures reflect the District's original operating budget, which is developed the District and approved by the Board prior to close of the accounting cycle for the prior fiscal year.

⁽²⁾ On behalf payments of \$_____ and \$_____ were included in the actual revenues and expenditures, but were not included in the budgeted amounts for fiscal years 20__-__ and 20__-__, respectively.

⁽³⁾ From the District's Second Interim Financial Report for fiscal year 2020-21, approved March 17, 2021.

⁽⁴⁾ From the District's Adopted Budget for fiscal year 2021-22, approved June __, 2021.

Source: The District.

District Debt Structure

Schedule of Long-Term Debt. A schedule of changes in District’s long-term debt for the year ended June 30, 2020, is shown below:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
General obligation bonds	\$118,582,756	\$149,629,127	(\$5,230,000)	\$262,981,883
Certificates of participation	41,160,000	--	(965,000)	40,195,000
Qualified school construction bonds	1,215,066	--	(122,758)	1,092,308
Unamortized debt premiums	8,767,105	17,339,938	(1,093,211)	25,013,832
Capital leases	352,641	--	(174,144)	178,497
Compensated absences	623,193	144,482	--	767,675
Choice 2000 settlement agreement ⁽¹⁾	<u>352,500</u>	<u>--</u>	<u>(117,500)</u>	<u>235,000</u>
Totals ⁽²⁾	<u>\$171,053,261</u>	<u>\$167,113,547</u>	<u>(\$7,702,613)</u>	<u>\$330,464,195</u>

(1) See “— Choice 2000 Settlement” below.

(2) Does not include the Special Tax Bonds of community facilities districts of the District. Debt service on such Special Tax Bonds is paid from the proceeds of special taxes levied against taxable real property within the respective community facilities districts. See “TAX BASE FOR REPAYMENT OF THE BONDS – Statement of Direct and Overlapping Debt” and “– Non-Obligatory Debt; Community Facilities Districts” below.

Source: *The District*.

General Obligation Bonds. The District received authorization at an election held on November 2, 1999, by eligible voters within the District, to issue not to exceed \$16,000,000 of general obligation bonds (the “1999 Authorization”). On May 25, 2000, the District issued an aggregate principal amount of \$8,313,075.35 of its General Obligation Bonds, 1999 Election, Series A (the “1999 Election, Series A Bonds”) pursuant to the 1999 Authorization. On November 19, 2002, the District issued an aggregate principal amount of \$7,686,806.70 of its General Obligation Bonds, 1999 Election, Series B (the “1999 Election, Series B Bonds”) pursuant to the 1999 Authorization. Approximately \$117.95 remains available under the 1999 Authorization.

The District received authorization at an election held on November 2, 2004, by eligible voters within the District, to issue not to exceed \$46,000,000 of general obligation bonds (the “2004 Authorization”). On March 29, 2005, the District issued (i) an aggregate principal amount of \$38,764,557.85 of its General Obligation Bonds, 2004 Election, Series A (the “2004 Election, Series A Bonds”) pursuant to the 2004 Authorization and (ii) an aggregate principal amount of \$7,805,000.00 of its 2005 General Obligation Refunding Bonds (the “2005 Refunding Bonds”) the proceeds of which were used to refund certain maturities of each of the 1999 Election, Series A Bonds and the 1999 Election, Series B Bonds. On April 27, 2006, the District issued an aggregate principal amount of \$7,232,820 of its General Obligation Bonds, 2004 Election, Series B (the “2004 Election, Series B Bonds”) pursuant to the 2004 Authorization. Approximately \$2,622.15 remains available under the 2004 Authorization.

The District received authorization at an election held on November 6, 2012, by more than 55% of the votes cast by eligible voters within the District to issue not to exceed \$153,420,000 of general obligation bonds (as previously defined, the “Authorization”). On August 6, 2013, the District issued an aggregate principal amount of \$35,000,000 of its General Obligation Bonds, 2012 Election, Series A (the “2012 Election, Series A Bonds”) pursuant to the Authorization. On October 20, 2015, the District issued an aggregate principal amount of \$40,413,023.50 of its General Obligation Bonds, 2012 Election, Series B (the “2012 Election Series B Bonds”) pursuant to the Authorization. The Bonds are the third issuance of

bonds pursuant to the Authorization, and following the issuance thereof, none of the Authorization will remain unissued.*

On December 4, 2014, the District issued an aggregate principal amount of \$26,510,000 of its 2014 General Obligation Refunding Bonds (the “2014 Refunding Bonds”) the proceeds of which were used to advance refund certain maturities of the 2004 Election, Series A Bonds.

The District received authorization at an election held on November 6, 2018, by more than 55% of the votes cast by eligible voters within the District to issue not to exceed \$148,000,000 of general obligation bonds (the “2018 Authorization”). On July 25, 2019, the District issued an aggregate principal amount of \$148,000,000 of its Election of 2018 General Obligation Bonds, Series A (the “2018 Election, Series A Bonds”) pursuant to the 2018 Authorization.

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* Preliminary, subject to change.

The table below presents the annual debt service requirements on all of the District's outstanding general obligation bonded debt, including the Bonds.

GENERAL OBLIGATION BOND DEBT SERVICE
Perris Union High School District

Year Ending (September 1)	1999 Election Series A ⁽¹⁾	1999 Election Series B	2004 Election Series A ⁽²⁾	2004 Election Series B	2012 Election Series A	2014 Refunding	2012 Election Series B	2018 Election Series A	2012 Election Series C	2021 Refunding Bonds	Total Annual Debt Service
2021	\$1,005,000	\$750,000	--	\$868,400	\$1,717,669	\$3,079,950	\$2,841,600	\$10,681,750			
2022	1,055,000	790,000	--	1,000,000	1,774,669	3,251,950	1,250,850	9,450,250			
2023	1,105,000	830,000	--	--	1,829,069	3,440,600	1,335,850	5,418,250			
2024	1,160,000	870,000	--	--	1,892,569	3,640,100	1,406,600	5,418,250			
2025	1,000,000	1,130,000	--	--	1,952,069	3,852,600	1,483,600	5,783,250			
2026	--	2,235,000	--	--	2,017,469	4,071,600	1,566,350	6,038,650			
2027	--	2,345,000	\$4,835,000	--	2,083,750	--	1,654,350	6,283,250			
2028	--	--	5,115,000	--	2,150,488	--	1,747,100	6,537,050			
2029	--	--	5,410,000	--	2,217,488	--	1,844,100	6,797,300			
2030	--	--	2,700,000	--	2,289,238	--	1,948,550	7,071,550			
2031	--	--	--	--	2,365,238	--	2,054,250	7,358,300			
2032	--	--	--	--	2,442,225	--	2,163,700	7,651,050			
2033	--	--	--	--	2,522,125	--	2,283,700	7,958,550			
2034	--	--	--	--	2,604,413	--	2,408,700	8,274,050			
2035	--	--	--	--	2,688,563	--	2,538,700	8,611,650			
2036	--	--	--	--	2,774,050	--	2,673,700	8,955,050			
2037	--	--	--	--	2,865,350	--	2,818,700	9,313,250			
2038	--	--	--	--	2,956,675	--	2,973,700	9,689,850			
2039	--	--	--	--	3,057,500	--	3,129,063	10,073,250			
2040	--	--	--	--	3,153,000	--	3,299,600	10,482,250			
2041	--	--	--	--	3,257,500	--	3,475,000	10,899,850			
2042	--	--	--	--	3,360,000	--	3,664,600	11,339,650			
2043	--	--	--	--	--	--	5,312,400	11,794,650			
2044	--	--	--	--	--	--	5,564,600	12,258,050			
2045	--	--	--	--	--	--	5,829,200	12,758,200			
2046	--	--	--	--	--	--	--	13,271,400			
2047	--	--	--	--	--	--	--	13,801,800			
2048								14,357,200			
2049											
2050	--	--	--	--	--	--	--	--			
Totals	\$5,325,000	\$8,950,000	\$18,060,000	\$1,868,400	\$53,971,113	\$21,336,800	\$67,268,563	\$258,327,600			

⁽¹⁾ Final maturity is March 1, 2025.

⁽²⁾ Final maturity is March 1, 2030.

⁽³⁾ Totals may not sum to totals due to rounding.

Certificates of Participation. On December 20, 2007, the District caused the execution and delivery of its 2007 Certificates of Participation (School Refinancing Project) (the “2007 COPs”) in the aggregate principal amount of \$9,100,000, the net proceeds of which were used to defease and prepay the District’s then-outstanding Convertible Capital Appreciation Certificates of Participation (2000 School Facilities Project).

On May 22, 2019, the District caused the execution and delivery of its 2019 Certificates of Participation (the “2019 COPs”) in the aggregate principal amount of \$41,160,000. The proceeds of the 2019 COPs are being used to prepay the 2007 COPs, fund additional District capital facilities improvements, fund a debt service reserve fund established for the 2019 COPs, and pay the costs related to the execution and delivery of the 2019 COPs. The 2019 COPs are an obligation of the District payable from any source of legally available funds, and the obligation of the District to make payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The 2019 COPs evidence fractional and undivided interests in the right to receive certain lease payments, and any prepayments thereof, to be made by the District pursuant to the Lease by and between the District and the Perris Valley Schools Capital Facilities Corporation. Such lease payments are designed to pay, when due, the principal and interest with respect to the 2019 Certificates. The District will covenant in the Lease to take such action as may be necessary to include such lease payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. The District expects to pay lease payments in connection with the 2019 COPs from surplus special tax revenues from CFD No. 92-1 available following the payment of debt service on the 2015 Financing Authority Bonds. See “— Non-Obligatory Debt; Community Facilities Districts” herein.

The following table displays the total annual lease payment requirements of the District related to the 2019 COPs (and assuming no optional prepayments):

Year Ending (October 1)	Total Annual Lease Payments*
2021	\$1,862,700.00
2022	1,896,900.00
2023	1,934,500.00
2024	1,970,300.00
2025	2,014,300.00
2026	2,047,800.00
2027	2,093,800.00
2028	2,131,550.00
2029	2,176,300.00
2030	2,217,550.00
2031	2,095,300.00
2032	2,122,550.00
2033	2,162,050.00
2034	2,133,050.00
2035	2,193,800.00
2036	2,204,800.00
2037	2,303,300.00
2038	2,449,200.00
2039	3,514,850.00
2040	3,557,500.00
2041	3,563,300.00
2042	3,555,100.00
2043	3,553,300.00
2044	3,462,500.00
2045	3,444,500.00
2046	3,230,750.00
2047	2,880,750.00

Year Ending (October 1)	Total Annual Lease Payments*
2048	2,651,500.00
2049	2,592,500.00
2050	<u>2,516,250.00</u>
Total	\$76,532,550.00

Qualified School Construction Bonds. On September 15, 2011, the District entered into a lease purchase agreement in the aggregate principal amount of \$2,100,000 (the “QSCB Lease Agreement”), which was designated as a “Qualified School Construction Bond” for purposes of the American Recovery and Reinvestment Act of 2009. The District expects to receive, on or about each lease payment date under the QSCB Lease Agreement, a cash subsidy payment (each a “Subsidy Payment”) from the United States Treasury (the “Treasury”) equal to the lesser of (a) the interest component of the lease payment due on such lease payment date or (b) an amount equal to the interest component that would have been payable on such lease payment date if such interest were determined at a federal tax credit rate applicable to the QSCB Lease Agreement (the “Tax Credit Rate”), which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code.

The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury. However, the Subsidy Payment is subject to reduction (the “Sequestration Reduction”) pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payment by 5.7% through the end of the federal fiscal year ending September 30, 2030. In the absence of action by the U. S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years.

The District’s annual requirements to make lease payments with respect to the QSCB Lease Agreement are as follows:

Year Ending (September 1)	Amount Attributable to Principal	Amount Attributable to Interest	Total Annual Lease Payments ⁽¹⁾
2021	\$124,534.69	\$55,668.10	\$180,202.79
2022	125,733.09	48,714.87	174,447.96
2023	126,943.02	41,694.73	168,637.75
2024	128,164.61	34,607.03	162,771.64
2025	129,397.94	27,451.13	156,849.07
2026	130,643.14	20,226.37	150,869.51
2027	131,900.33	12,932.08	144,832.41
2028	<u>133,169.62</u>	<u>5,567.60</u>	<u>138,737.22</u>
Total	\$1,030,486.44	\$246,861.91	\$1,277,348.35

⁽¹⁾ Does not reflect receipt of Subsidy Payments.

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

Year Ending <u>June 30</u>	Lease <u>Payment</u>
2021	<u>\$182,960</u>
Less: Amount Representing Interest	<u>(4,463)</u>
Present Value of Minimum Lease Payments	\$178,497

Choice 2000 Settlement. In recent years, the District had an ongoing dispute with the State Board of Education and the State Department of Education regarding the calculation of ADA and resultant funding for the District’s on-line grades 9-12 charter school (“Choice 2000”). The District closed Choice 2000 at the end of the 2012-13 school year and the litigation regarding the funding of Choice 2000 was settled in April 2014. Pursuant to such settlements, the District will repay a total of \$940,000 to the State over a period of eight years. The District’s liability, as of June 30, 2020, with respect to such settlements is summarized below:

<u>Fiscal Year</u>	Settlement <u>Payment</u>
2020-21	\$117,500
2021-22	<u>117,500</u>
Total	<u>\$235,000</u>

Non-Obligatory Debt; Community Facilities Districts. The District has established two Mello-Roos community facilities districts pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended. The District’s Community Facilities District No. 91-1 (“CFD No. 91-1”) was established in March 1991 and the District’s Community Facilities District No. 92-1 (“CFD No. 92-1”) was established in July 1992. The outstanding Special Tax Bonds issued by each of these community facilities districts were acquired by the Perris Union High School District Financing Authority (the “District Financing Authority”) and provide revenues to pay debt service on the District Financing Authority’s 2015 Revenue Bonds (the “2015 Financing Authority Bonds”). The annual payments for the Special Tax Bonds are secured solely by the special taxes levied on taxable property in the respective community facilities district and are not obligations of the District. See “— Certificates of Participation” above and “TAX BASE FOR REPAYMENT OF THE BONDS – Statement of Direct and Overlapping Debt” herein.

TAX MATTERS

Tax-Exempt Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is exempt from State personal income tax.

The excess of the stated redemption price at maturity of a Tax-Exempt Bond over the issue price of a Tax-Exempt Bond (the first price at which a substantial amount of the Tax-Exempt Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Tax-Exempt Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Tax-Exempt Bond Owner will increase the Tax-Exempt Bond Owner’s basis in the applicable Tax-Exempt Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a Tax-Exempt Bond is excluded from gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on

individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to a Tax-Exempt Bondowner is exempt from State personal income tax.

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

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

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

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

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any

person, whether any such actions or events are taken or do occur. The Series C Bonds Resolution and the Tax Certificate relating to the Tax-Exempt Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Tax-Exempt Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

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

A copy of the proposed form of opinion of Bond Counsel for the Tax-Exempt Bonds is included in Appendix B hereto.

Refunding Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State personal income tax.

Except for certain exceptions, the difference between the issue price of a Taxable Bond (the first price at which a substantial amount of the Taxable Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Taxable Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Owner of a Taxable Bond will increase the Owner's basis in the Taxable Bond. Owners of Taxable Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Taxable Bonds.

The amount by which a Taxable Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Taxable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Owner of a Taxable Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Taxable Bond Owner's basis in the applicable Taxable Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the Owner of a Taxable Bond realizing a taxable gain when a Taxable Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Taxable Bond to the Owner. The Owners of the Taxable Bonds that have a basis in the Taxable Bonds that is greater than the principal amount of the Taxable Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

In the event of a legal defeasance of a Taxable Bond, such bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Taxable Bond Owner generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the Taxable Bond Owner's adjusted tax basis in such bond.

The federal tax and State personal income tax discussion set forth above with respect to the Taxable Bonds is included for general information only and may not be applicable depending upon an Owner's particular situation. The ownership and disposal of the Taxable Bonds and the accrual or receipt of interest with respect to the Taxable Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

A copy of the proposed form of opinion of Bond Counsel for the Taxable Bonds is included in Appendix B hereto.

LIMITATION ON REMEDIES; BANKRUPTCY; OTHER RISKS

General

State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the District or the Board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Security and Sources of Payment" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. “Special revenues” are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to finance or refinance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County’s pooled investment fund, as described in “THE BONDS – Application and Investment of Bond Proceeds” herein and “APPENDIX E – RIVERSIDE COUNTY POOLED INVESTMENT FUND” attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Cybersecurity Risk

The District, like many 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 is potentially subject to multiple 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 access to the District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The District has never had a major cyber breach that resulted in a financial loss.

No assurance can be given that the District’s efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the District. The District is also reliant on other entities and service providers, such as the County Treasurer, for the levy and collection of special taxes and *ad valorem* property taxes, and various trustees, fiscal agents and dissemination agents. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Bond Owners, e.g., systems related to the timeliness of payments to Bond Owners or compliance with disclosure filings pursuant to the Continuing Disclosure Certificate.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights

The proposed form of the approving opinion of Bond Counsel attached hereto as Appendix B is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Continuing Disclosure

Current Undertaking. The District covenants for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (the District's fiscal year ends on June 30), commencing with the report for the 2018-19 fiscal year (which is due not later than April 1, 2020), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in the form of Continuing Disclosure Certificate attached hereto as Appendix C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. [To be updated.] Although the District has generally complied within the past five years with its prior obligations pursuant to the Rule to provide annual reports and notices of enumerated events, with respect to its obligation entered into in connection with the 2004 Election, Series A Bonds: the District's adopted budget for the fiscal year ended June 30, 2016 was timely filed, but mislabeled as the adopted budget for "the year ended 06/30/2015." A remedial filing for the item noted in the preceding sentence was made in April 2019.

In order to ensure compliance with its existing and future continuing disclosure obligations, the District has retained Koppel & Gruber Public Finance as its dissemination agent to assist it in preparing and filing future annual reports and notices of listed events required thereunder.

Legality for Investment in California

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in the State 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 Government Code, are eligible for security for deposits of public moneys in the State.

Enhanced Reporting Requirements

Under Section 6049 of the Internal Revenue Code of 1986, as amended by the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"), interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007, to any bondholder who fails to file an accurate Form

W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Absence of Material 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 questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

There are certain lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims, if determined adverse to the District, would not materially affect the finances of the District.

Legal Opinion

The legal opinions of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. Copies of the proposed forms of such legal opinions are attached to this Official Statement as Appendix B.

Escrow Verification

Upon delivery of the Refunding Bonds, Causey, Demgen & Moore P.C., Denver, Colorado, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the amounts in the Escrow Fund to pay the redemption price of and accrued interest on the Refunded Bonds.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2020, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 6, 2020, of Eide Bailly, LLP (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

Moody's and S&P have assigned underlying ratings of "___" and "___" to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and S&P Global Ratings, 55 Water Street, New York, New York 10041.

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

and on investigations, studies and assumptions by the rating agencies. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any ratings changes on the Bonds. See the caption “LEGAL MATTERS – Continuing Disclosure” above and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from Moody’s or S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to Moody’s and S&P, their websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance thereof.

FINANCIAL ADVISOR

The District has retained CSG Advisors Incorporated, San Francisco, California, as Financial Advisor for the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CSG Advisors Incorporated, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Series C Bonds at a price of \$_____, which is equal to the principal amount of the Series C Bonds of \$_____, plus original issue premium of \$_____, less the Underwriter’s discount of \$_____. The Underwriter has agreed to purchase the Refunding Bonds at a price of \$_____, which is equal to the principal amount of the Refunding Bonds of \$_____, plus original issue premium of \$_____, less the Underwriter’s discount of \$_____.

The Bond Purchase Agreement for the Series C Bonds provides that the Underwriter will purchase all of the Series C Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. The Bond Purchase Agreement for the Refunding Bonds provides that the Underwriter will purchase all of the Refunding Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

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

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

While the Underwriter does not believe that the following represent a potential or actual material conflict of interest, it notes that:

In August 2012 and October 2012, the Underwriter contributed to the general obligation bond campaign Committee for Quality Schools. The Underwriter's Fabric of Society program provided a scholarship to a graduating senior from the District in 2014 and 2015. The Underwriter sponsored a Perris Union Management Association Golf Tournament and a celebrity karaoke event.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement and the delivery thereof have been duly approved and authorized by the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only 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, beneficial or otherwise, of any of the Bonds.

PERRIS UNION HIGH SCHOOL DISTRICT

By _____
Deputy Superintendent, Business Services

APPENDIX A
FISCAL YEAR 2019-20 AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT

APPENDIX B

FORMS OF OPINIONS OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Series C Bonds substantially in the following form:

_____, 2021

Board of Trustees
Perris Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$ _____ Perris Union High School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series C (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California, commencing with Section 53506 *et seq.*, a vote of 55% of the qualified electors of the Perris Union High School District (the “District”) voting at an election held on November 6, 2012, and a resolution of the Board of Trustees of the District (the “Resolution”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, 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 calculating the federal alternative minimum tax imposed on individuals.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The excess of the stated redemption price at maturity over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner’s basis in the applicable Bond. Original issue discount that accrues to a Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

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

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Upon issuance and delivery of the Refunding Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinions with respect to the Refunding Bonds substantially in the following forms:

_____, 2021

Board of Trustees
Perris Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$ _____ Perris Union High School District 2021 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and a resolution (the “Resolution”) adopted by the Board of Trustees of the Perris Union High School District (the “District”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of ad valorem property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”).
4. Interest on the Bonds is exempt from State of California personal income tax.
5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner’s basis in the applicable Bond.
6. The amount by which a Bond owner’s original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner’s basis in the applicable Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the

Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as expressly set forth in paragraphs (3), (4), (5), and (6), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Perris Union High School District (the “District”) in connection with the issuance of \$ _____ of the Perris Union High School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series C (the “Series C Bonds”) and \$ _____ Perris Union High School District (Riverside County, California) 2021 General Obligation Refunding Bonds (Federally Taxable) (the “Refunding Bonds” and, together with the Series C Bonds, the “Bonds”). The Series C Bonds are being issued as authorized by resolution adopted by the Board of Trustees of the District on June 16, 2021 (the “Series C Bonds Resolution”). The Refunding Bonds are being issued as authorized by resolution adopted by the Board of Trustees of the District on June 16, 2021 (the “Refunding Bonds Resolution” and, together with the Series C Bonds Resolution, the “Resolutions”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders 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 in the Resolutions, 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” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially Koppel & Gruber Public Finance, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

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

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate.

“Official Statement” shall mean that certain official statement, dated July __, 2021, relating to the offering and sale of the Bonds.

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

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are 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(c).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a timely notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repositories of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content and Form of Annual Reports.

(a) The District’s Annual Report shall contain or include by reference the following:

(i) The audited financial statements of the District for the prior fiscal year, 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 time the Annual Report is required to be filed pursuant to Section 3(a), 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.

(ii) The District’s approved annual budget for the then-current fiscal year.

(iii) Financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (A) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll;
- (B) If Riverside County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections, and delinquencies for the District for the most recently completed fiscal year.
- (C) Top twenty property owners in the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable assessed value, and their percentage of total secured assessed value, if material.
- (D) Average Daily Attendance of the District for the most recently completed school year.

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 have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

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

- 1. principal and interest payment delinquencies.
- 2. tender offers.
- 3. optional, contingent or unscheduled Bond calls.
- 4. defeasances.
- 5. rating changes.
- 6. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- 7. unscheduled draws on the debt service reserves reflecting financial difficulties.
- 8. unscheduled draws on credit enhancement reflecting financial difficulties.
- 9. substitution of the credit or liquidity providers or their failure to perform.

10. 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.

11. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(11), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. unless described under Section 5(a)(5) above adverse tax opinions, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
4. release, substitution or sale of property securing repayment of the Bonds.
5. 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.
6. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.
7. Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Beneficial Owners.

(c) If a Listed Event under Section 5(b) hereof occurs, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. 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(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. 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, 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 the type of business conducted;

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. 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 Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate 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. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repositories. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. 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.

Dated: August __, 2021

PERRIS UNION HIGH SCHOOL DISTRICT

By _____

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: PERRIS UNION HIGH SCHOOL DISTRICT

Name of Bond Issue:

PERRIS UNION HIGH SCHOOL DISTRICT (Riverside County, California)
General Obligation Bonds, 2012 Election, Series C

PERRIS UNION HIGH SCHOOL DISTRICT (Riverside County, California)
2021 General Obligation Refunding Bonds (Federally Taxable)

Date of Issuance: August __, 2021

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

PERRIS UNION HIGH SCHOOL DISTRICT

By _____ [form only; no signature required]

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR RIVERSIDE COUNTY, THE CITY OF MENIFEE AND THE CITY OF PERRIS

The District covers approximately 182 square miles in the northwestern part of Riverside County (the "County"). A majority of the City of Perris ("Perris") and all of the City of Menifee ("Menifee" and, together with Perris, the "Cities") lies within the District's boundaries. The following economic data for the Cities and the County is presented for information purposes only, to describe the general economic health of the region. However, the Bonds are not a debt of the Cities nor of the County.

General

The School District encompasses approximately 752 square miles of the southern part of The County is the fourth largest county in the State of California (the "State"), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law county with its County seat located in the city of Riverside. Perris is bordered by the Interstate 215 freeway and Highway 74. Menifee is located in the south central portion of the County north of Murrieta, west of Hemet, east of Canyon Lake and southeast of Perris.

Population

The following table lists population estimates for the Cities, County and State for the past ten years.

POPULATION ESTIMATES City of Menifee, City of Perris, County of Riverside and State of California 2011-2020

<u>Year⁽¹⁾</u>	<u>City of Menifee</u>	<u>City of Riverside</u>	<u>County of Riverside</u>	<u>State of California</u>
2011	79,540	69,832	2,216,250	37,561,624
2012	81,335	70,907	2,244,472	37,924,661
2013	83,331	72,358	2,268,660	38,269,864
2014	84,755	73,600	2,290,907	38,556,731
2015	86,359	74,400	2,315,706	38,870,150
2016	88,131	76,108	2,343,785	39,131,307
2017	90,197	77,925	2,376,580	39,398,702
2018	92,157	79,127	2,400,762	39,586,646
2019	94,732	79,856	2,422,146	39,695,376
2020	97,093	80,201	2,442,304	39,782,870

⁽¹⁾ As of January 1.

Source: California Department of Finance.

Personal Income

The following table shows of per capita personal income for the County, State of California and the United States from 2006 through 2015.

PER CAPITAL PERSONAL INCOME County of Riverside, State of California, and United States 2010-2019

<u>Year</u>	<u>Riverside County</u>	<u>State of California</u>	<u>United States</u>
2010	\$30,699	\$44,138	\$40,547
2011	32,200	46,531	42,739
2012	32,748	48,315	44,605
2013	33,462	49,525	44,860
2014	34,875	52,214	47,071
2015	36,745	54,822	49,019
2016	38,114	56,506	50,015
2017	39,148	58,380	52,118
2018	40,587	61,147	54,606
2019	42,418	63,729	56,490

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

Retail Trade

The following tables present a five-year history of taxable sales in the County and Cities.

ANNUAL TAXABLE SALES Riverside County 2015 through 2019 (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2015	37,304	\$23,537,475	55,587	\$33,166,660
2016	38,378	24,274,686	57,742	34,483,694
2017	38,967	25,856,341	58,969	36,407,460
2018 ⁽¹⁾	39,577	28,042,692	61,433	38,919,498
2019 ⁽¹⁾	40,491	29,020,401	64,063	40,557,845

⁽¹⁾ Preliminary, subject to change.

Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA"). Some previously reported data has been revised by the CDTFA.

TAXABLE SALES

**City of Menifee
2015-2019
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2015	795	\$518,584	1,210	\$580,358
2016	872	553,479	1,342	628,923
2017	938	608,682	1,426	683,385
2018 ⁽¹⁾	971	657,231	1,484	742,128
2019 ⁽¹⁾	1,019	687,546	1,568	775,320

⁽¹⁾ Preliminary, subject to change.

Source: *Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA"). Some previously reported data has been revised by the CDTFA.*

**TAXABLE SALES
City of Perris
2015-2019
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2015	786	\$510,100	1,156	\$815,256
2016	797	651,022	1,178	980,763
2017	858	1,091,921	1,245	1,462,215
2018 ⁽¹⁾	916	1,414,197	1,358	1,782,754
2019 ⁽¹⁾	918	1,754,043	1,395	2,096,754

⁽¹⁾ Preliminary, subject to change.

Source: *Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA"). Some previously reported data has been revised by the CDTFA.*

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Employment

The following table summarizes civilian labor force, employment and unemployment statistics for the Cities, County and State from 2016 through 2020.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of Menifee, Riverside County and State of California 2016 through 2020

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate (%)</u>
2016	City of Menifee	37,000	34,800	2,200	5.9
	City of Perris	29,500	27,300	2,200	7.4
	Riverside County	1,051,600	987,200	64,400	6.1
	State of California	19,012,000	17,965,400	1,046,600	5.5
2017	City of Menifee	38,000	36,000	1,900	5.0
	City of Perris	30,100	28,300	1,900	6.2
	Riverside County	1,071,600	1,014,900	56,700	5.3
	State of California	19,173,800	18,246,800	927,000	4.8
2018	City of Menifee	39,100	37,400	1,700	4.3
	City of Perris	30,700	29,100	1,500	5.0
	Riverside County	1,090,100	1,041,500	48,600	4.5
	State of California	19,263,900	18,442,400	821,500	4.3
2019	City of Menifee	40,200	38,600	1,600	4.1
	City of Perris	31,000	29,400	1,500	4.9
	Riverside County	1,105,700	1,058,700	47,000	4.2
	State of California	19,353,700	18,550,500	803,200	4.2
2020	City of Menifee	40,400	36,400	4,100	10.1
	City of Perris	31,300	27,700	3,500	11.2
	Riverside County	1,107,700	997,700	110,000	9.9
	State of California	18,821,200	16,913,100	1,908,100	10.1

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2020 Benchmark.

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Industry

The County is a part of the Riverside-San Bernardino Metropolitan Statistical Area (“MSA”), which includes all of Riverside and San Bernardino Counties. The following table summarizes the annual

average industry employment statistics for the Riverside-San Bernardino-Ontario MSA for years 2016 through 2020.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
Riverside-San Bernardino-Ontario MSA
2016 through 2020

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Farm	14,600	14,500	14,500	15,400	13,900
Mining, Logging and Construction	92,900	98,400	106,400	108,400	106,200
Manufacturing	97,500	98,000	99,800	100,600	94,300
Wholesale Trade	61,600	62,600	65,500	67,100	64,600
Retail Trade	178,300	180,900	181,200	180,700	168,800
Transportation, Warehousing and Utilities	106,400	119,900	132,100	146,600	170,500
Information	11,800	11,600	11,400	11,500	9,400
Financial Activities	44,900	44,700	44,600	45,000	43,700
Professional and Business Services	145,100	147,300	152,000	158,700	154,000
Education and Health Services	215,700	226,700	239,500	250,300	248,700
Leisure and Hospitality	160,200	166,300	170,600	175,900	139,200
Other Services	44,600	45,400	45,800	46,200	39,600
Government	<u>242,300</u>	<u>251,000</u>	<u>257,200</u>	<u>261,200</u>	<u>249,100</u>
Total All Industries	1,416,000	1,467,300	1,520,500	1,567,500	1,501,800

Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment, March 2020 Benchmark.

Principal Employers

The following tables show the principal employers in the County and Cities by number of employees.

PRINCIPAL EMPLOYERS
Riverside County
2020

<u>Employer Name</u>	<u>Number of Employees</u>
County of Riverside	21,672
Amazon	10,500
University of California, Riverside	9,770
March Air Reserve Base	9,600
Stater Brothers Markets	8,304
Kaiser Permanente Riverside Medical Center	5,700
Pechanga Resort and Casino	5,078
Wal-Mart	4,931
Corona-Norco Unified School District	4,903
Ross Dress for Less	4,321

Source: County of Riverside Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2020.

LARGEST EMPLOYERS
City of Menifee
June 30, 2020

<u>Employer</u>	<u>Employees</u>
1. Mt. San Jacinto Community Coll. District	1,068
2. Menifee Union School District	1,040
3. Romoland Elementary School District	597
4. Target Corporation	364
5. Menifee Valley Medical Center	356
6. Stater Brothers	270
7. Southern California Edison	202
8. Texas Roadhouse	267
9. Life Care Center of Menifee	161
10. Lowe's	154

Source: City of Menifee 'Comprehensive Annual Financial Report' for the year ending June 30, 2020.

LARGEST EMPLOYERS
City of Perris
June 30, 2019

<u>Employer</u>	<u>Employees</u>
1. Ross Stores Inc.	1,921
2. Perris Elementary School District	885
3. Lowe's CA Regional Distribution Center	777
4. NFI Industries ⁽²⁾	721
5. Perris Union High School District ⁽¹⁾	664
6. Eastern Municipal Water District	609
7. Home Depot Distribution Center	550
8. California Trus CO Inc	378
9. CR&R Waste -- Perris	348
7. General Mills Logistics Center	222

⁽¹⁾ For updated information regarding the District's employees, see "THE DISTRICT – Labor Relations" in the front part of this Official Statement.

Source: City of Perris 'Comprehensive Annual Financial Report' for the year ending June 30, 2019.

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Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the County and the City are shown in the following tables.

BUILDING PERMITS AND VALUATIONS Riverside County 2015 through 2019 (Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Valuation					
Residential	\$1,536,742	\$1,759,535	\$1,903,417	\$2,558,081	\$2,275,405
Non-Residential	<u>911,465</u>	<u>1,346,020</u>	<u>1,433,691</u>	<u>1,959,680</u>	<u>1,285,856</u>
Total	\$2,448,207	\$3,105,555	\$3,337,108	\$4,517,761	\$3,561,261
Units					
Single Family	5,007	5,662	6,265	7,540	6,563
Multi Family	<u>1,189</u>	<u>1,039</u>	<u>1,070</u>	<u>1,628</u>	<u>1,798</u>
Total	6,196	6,701	7,335	9,168	8,361

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS City of Menifee 2015 through 2019 (Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Valuation					
Residential	\$137,783	\$183,833	\$220,269	\$296,415	\$343,284
Non-Residential	<u>33,163</u>	<u>38,953</u>	<u>17,705</u>	<u>38,992</u>	<u>29,156</u>
Total	\$170,946	\$222,786	\$237,974	\$335,407	\$372,440
Units					
Single Family	404	564	714	967	922
Multi Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>330</u>
Total	404	564	714	967	1,252

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Perris
2015 through 2019
(Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Valuation					
Residential	\$43,065	\$31,831	\$22,785	\$23,958	\$22,171
Non-Residential	<u>102,682</u>	<u>307,126</u>	<u>299,732</u>	<u>\$270,647</u>	<u>70,289</u>
Total	\$145,747	\$338,957	\$322,517	\$294,605	\$92,460
Units					
Single Family	170	120	71	84	90
Multi Family	<u>0</u>	<u>104</u>	<u>0</u>	<u>0</u>	<u>2</u>
Total	170	224	71	84	92

Note: Totals may not add to sums because of rounding.

Source: *Construction Industry Research Board.*

APPENDIX E

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The information on the following pages concerning the Riverside County Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax Collector of Riverside County and has not been confirmed or verified by the District or the Underwriter. No representation is made by the District or Underwriter as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof, or that any information contained or incorporated therein by reference is correct as of any time subsequent to its date.