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DRAFT 3/20/24

PRELIMINARY OFFICIAL STATEMENT DATED [DATE]

NEW ISSUE -- FULL BOOK-ENTRY

**S&P Rating: “_”
See “Rating”**

herein

In the opinion of Parker & Covert LLP, Sacramento, California (“Bond Counsel”), based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest may be subject to the corporate alternative minimum tax imposed on corporations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “Tax Matters.”

**[\$[PAR AMOUNT] *
CAMBRIAN SCHOOL DISTRICT
(SANTA CLARA COUNTY, CALIFORNIA)
2024 GENERAL OBLIGATION REFUNDING BONDS**

Dated: Date of Delivery

Due: August 1, as set forth on inside cover

The Cambrian School District (Santa Clara County, California) 2024 General Obligation Refunding Bonds (the “Bonds”), in the aggregate principal amount of \$[PAR AMOUNT]*, are being issued by the Cambrian School District (the “District”) to (i) refund, on a current basis, certain outstanding general obligation bonds of the District, and (ii) pay costs of issuance of the Bonds. See “The Financing Plan.”

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

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 (“DTC”). Purchasers will not receive physical certificates representing their interests in the Bonds. See Appendix F - “Book Entry Only System.”

Interest on the Bonds accrues from their date of delivery and is payable on February 1, 2025, and semiannually thereafter on February 1 and August 1 of each year. Payments of principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, Los Angeles, California, as Paying Agent, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “The Bonds – Redemption.”

This cover page contains information for quick reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision.

**MATURITY SCHEDULE
(on inside front cover)**

The Bonds are being purchased for reoffering by _____ as underwriter of the Bonds. (the “Underwriter”). The Bonds are offered when, as and if issued by the District and received by the Underwriter, subject to the approval as to their legality by Parker & Covert LLP, Sacramento, California, Bond Counsel to the District. Certain matters will also be passed upon for the District by Parker & Covert LLP, Sacramento, California, as Disclosure Counsel to the District. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company, on or about April 18, 2024.

This Official Statement is dated March __, 2024

* Preliminary, subject to change
188835v3 / CAMBSD.35.6

[\$[PAR AMOUNT]]
CAMBRIAN SCHOOL DISTRICT
(SANTA CLARA COUNTY, CALIFORNIA)
2024 GENERAL OBLIGATION REFUNDING BONDS

MATURITY SCHEDULE*
\$ _____ * Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP®†
2025				132123
2026				132123
2027				132123
2028				132123
2029				132123
2030				132123
2031				132123
2032				132123
2033				132123
2034				132123
2035				132123
2036				132123
2037				132123
2038				132123
2039				132123

\$ _____ % Term Bond due August 1, 20__ – Yield: ___% - CUSIP®† 132123 ____

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® numbers are provided for convenience of reference only. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter, the School District, Bond Counsel, nor Disclosure Counsel is responsible for the selection or correctness of the CUSIP® numbers set forth above.

CAMBRIAN SCHOOL DISTRICT
Santa Clara County, California

DISTRICT GOVERNING BOARD

Jarod Middleton, President
Carol Presunka, Vice President
Dr. Beth Erickson, Clerk,
Janet Gillis, Member
Nick Villalobos, Member

DISTRICT ADMINISTRATION

Kristi Schwiebert, Superintendent
John Pappalardo, Ed.D., Chief Financial Officer
Linh Nguyen, Assistant Superintendent of Educational Services
Natalie Gioco, Assistant Superintendent of Personnel Services

BOND COUNSEL AND DISCLOSURE COUNSEL

Parker & Covert LLP
Sacramento, California

PUBLIC FINANCE CONSULTANT

Government Financial Services Joint Powers Authority
Sacramento, California

PAYING AGENT AND ESCROW AGENT

Zions Bancorporation, National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Estimates and Forecasts. When used in this Official Statement and in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated above, and those public offering prices may be changed from time to time by the Underwriter.

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

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

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

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

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OFFICIAL STATEMENT

[\$[PAR AMOUNT]] CAMBRIAN SCHOOL DISTRICT (SANTA CLARA COUNTY, CALIFORNIA) 2024 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover pages, and attached appendices, is to set forth certain information concerning the issuance, sale, and delivery of the Cambrian School District 2024 General Obligation Refunding Bonds, (the “Bonds”). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Paying Agent Agreement (as defined below).

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 pages, and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

Cambrian School District (the “District”) is a political subdivision of the State of California (the “State”) located in the County of Santa Clara (the “County”). Encompassing approximately eight square miles, the District serves a population of approximately 30,300 people residing in the western portion of the City of San Jose (the “City”) as well as portions of the City of Campbell and the Town of Los Gatos. The District operates four elementary schools serving transitional kindergarten through fifth grade, three of which are charter schools, one charter middle school serving sixth through eighth grade, and one magnet elementary school (focused on Science, Technology, Engineering, Arts and Math (S.T.E.A.M)) serving transitional kindergarten through eighth grade, in total providing education to approximately 3,000 students. A five-member elected Board of Trustees (the “District Board”) governs the District.

Authority for Issuance of the Bonds

The Bonds are general obligation bonds to be issued under the provisions of the Constitution of the State of California (the “State Constitution”), the State of California Government Code (the “Government Code”) and the State of California Education Code (the “Education Code”), a resolution adopted by the Board of Trustees on March __, 2024 (the “District Resolution”), and a paying agent agreement dated as of April 1, 2024 (the “Paying Agent Agreement”), by and between the District and Zions Bancorporation, National Association, as paying agent (the “Paying Agent”). See “The Bonds – Authority for Issuance” for additional information.

Purpose of Issue

The Bonds are being issued to provide funds to (i) refund, on a current basis, certain of the outstanding Cambrian School District General Obligation Bonds, Election of 2014, Series 2014 (the “Prior Bonds”); and (ii) pay certain costs of issuance of the Bonds. See “The Bonds – Purpose of the Bonds.”

Description of the Bonds

The Bonds are being issued as current interest bonds in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds are dated their date of delivery and mature on August 1 in each of the years and in the amounts set forth on the inside cover pages hereof. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2025. Interest on the Bonds is computed on the basis of a 360-day year comprised of 12 months of 30 days each. See “The Bonds – Description of the Bonds” herein.

Registration

The Bonds will be issued in fully registered form only, 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”) 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, but will instead receive credit balances on the books of their respective nominees. If use of the book-entry-only system is discontinued with respect to the Bonds, the Bonds will be registered in accordance with the Paying Agent Agreement, as described herein. See “The Bonds – Registration, Transfer and Exchange of Bonds” and Appendix F – “Book-Entry-Only System” for additional information.

Redemption

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

Security for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* property taxes, without limitation as to rate or amount (except certain personal property that is taxable at limited rates), upon all property within the District for the payment of the principal of and interest on the Bonds. See “Security and Sources of Payment for the Bonds.”

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to their legality by Parker & Covert LLP, Sacramento, California, Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about April 18, 2024.

Tax Matters

In the opinion of Parker & Covert LLP, Sacramento, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. Interest on the Bonds is included in adjusted financial statement income in order to compute alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion

regarding any other tax consequences related to the ownership or disposition of the Bonds or the accrual or receipt of such interest. See “Tax Matters” herein.

Continuing Disclosure

To assist the Underwriter in complying with the Rule (as defined herein), the District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate is included in Appendix E hereto.

Professionals Involved in the Offering

Parker & Covert LLP, Sacramento, California, is serving as Bond Counsel and Disclosure Counsel to the District for the issuance of the Bonds. Government Financial Services Joint Powers Authority, Sacramento, California, a municipal entity (as defined under the Securities Exchange Act of 1934), is serving as Public Finance Consultant to the District in connection with the sale of the Bonds. Zions Bancorporation, National Association, Los Angeles, California, will serve as Paying Agent with respect to the Bonds and Escrow Agent for the Prior Bonds to be refunded (the “Refunded Prior Bonds”). Causey Demgen and Moore P.C. will act as verification agent (the “Verification Agent”) for the Refunded Prior Bonds. Bond Counsel, Disclosure Counsel, the Paying Agent, and the Escrow Agent will receive compensation contingent upon the sale and delivery of the Bonds.

Other Information

The Official Statement contains brief descriptions of the Bonds, the Paying Agent Agreement, and other documents. Such descriptions are not comprehensive or definitive and are qualified in their entirety by reference to such documents. Copies of documents referred to herein and information concerning the Bonds are available from the District, 4115 Jacksol Drive, San Jose, CA 95124. The District may impose a charge for copying, mailing and handling.

THE BONDS

Authority for Issuance

The Bonds are general obligation bonds to be issued under provisions of the State Constitution, the laws of the State, including Title 5, Division 2, Part 1, Chapter 3, Article 9 of the State of California Government Code, commencing with Section 53550, and Article 11, commencing with Section 53580, and pursuant to the Paying Agent Agreement and the District Resolution. The District may issue bonds payable from *ad valorem* property taxes without a vote of the electors solely in order to refund other outstanding bonds which were originally approved by such a vote, as a result of a legislative determination made in the District Resolution that the prudent management of the fiscal affairs of the District requires that it issue the Bonds. The total net interest cost to maturity plus the principal amount of the Bonds will not exceed the total net interest cost to maturity plus the principal amount of the Refunded Prior Bonds.

Purpose of the Bonds

Proceeds of the Bonds will be applied to (i) refund, on a current basis, the Refunded Prior Bonds; and (ii) pay certain costs of issuance of the Bonds.

Description of the Bonds

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of DTC. Beneficial Owners of the Bonds will not receive physical certificates representing their interests in the Bonds, but will receive a credit balance on the books of the nominees for such Beneficial Owners.

The Bonds are issuable in denominations of \$5,000 (principal amount) or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

The Bonds are dated their date of delivery and will bear interest from such date, computed on the basis of a 360-day year comprised of 12 months of 30 days each. Interest on the Bonds is payable on February 1, 2025, and semiannually thereafter on February 1 and August 1 of each year.

Each Bond bears interest from the interest payment date (being February 1 and August 1 of each year) next preceding the date of authentication thereof, unless (i) it is authenticated as of a day during the period after the fifteenth day of the calendar month immediately preceding an interest payment date (the "Regular Record Date") to that interest payment date, both dates inclusive, in which event it will bear interest from such interest payment date, or (ii) it is authenticated on or before January 15, 2025, in which event it bears interest from its date of delivery, provided that if, at the time of authentication of a Bond, interest is in default thereon, such Bond bears interest from the interest payment date to which interest has previously been paid or made available for payment.

The principal of and interest on the Bonds will be paid by the Paying Agent to DTC, which will in turn remit such payments to its DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds as described herein. As long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds is payable by wire transfer with same-day funds transferred by the Paying Agent to Cede & Co., as nominee for DTC. Any interest on any Bond that is payable but is not punctually paid or duly provided for on any interest payment date shall cease to be payable to the Beneficial Owner on the relevant Regular Record Date. Such defaulted interest shall be paid to the person in whose name the Bond is registered as of the close of business on a date fixed by the Paying Agent for the payment of such default interest.

As long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See Appendix F – "Book-Entry-Only System" for more information about DTC. If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered as described under the caption "Registration, Transfer and Exchange of Bonds."

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

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2033 are not subject to optional redemption. The Bonds maturing on or after August 1, 2034 are subject to redemption prior to their respective stated maturity dates, at the option of the District, as a whole or in part among maturities on such basis as shall be designated by the District and by lot within each maturity, from any source of available

funds, on any date on or after August 1, 2033, at the principal amount of Bonds called for redemption, plus accrued interest thereon to the date of redemption, without premium.

Selection of Bonds for Redemption. In the case of any redemption at the election of the District of less than all the outstanding Bonds, the District shall notify the Paying Agent of such redemption date and of the principal amount and maturities of Bonds to be redeemed.

If less than all the outstanding Bonds of any maturity are to be redeemed, not more than 45 days prior to the redemption date the Paying Agent shall select the particular Bonds to be redeemed from the outstanding Bonds that have not previously been called for redemption, in minimum amounts of \$5,000 of principal amount, by lot in any manner that the Paying Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, each \$5,000 amount of principal shall be deemed to be a separate Bond.

For purposes of the Paying Agent Agreement, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond that has been or is to be redeemed.

Notice of Redemption. When Bonds are being redeemed as described above, the Paying Agent shall mail notice of redemption not fewer than 30 nor more than 60 days prior to the redemption date by first-class mail, postage prepaid, or by electronic means with confirm receipt, to the respective Beneficial Owners of any Bonds designated for redemption at their addresses appearing on the books of registration and transfer of the Bonds (the “Bond Register”). The Paying Agent shall also file such notice of redemption on the same day with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (EMMA) website.

Each notice of redemption shall state (a) the date of such notice; (b) the name of the Bonds; (c) the date of issue of the Bonds; (d) the redemption date; (e) the redemption price; (f) the dates of maturity of the Bonds to be redeemed; (g) the CUSIP number (if any) of the maturity or maturities; (h) if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed; (i) a statement that such Bonds must be surrendered by the owners at the Paying Agent’s Office, or at such other place or places designated by the Paying Agent; (j) notice that further interest on such Bonds will not accrue after the designated redemption date; and (k) such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

Failure by the Paying Agent to file notice with MSRB or failure of any Beneficial Owner to receive notice of any defect in any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Paying Agent to mail or otherwise deliver notice to any one or more of the respective Beneficial Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Beneficial Owner or Beneficial Owners to whom such notice was mailed or delivered.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Beneficial Owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the fund held by the Paying Agent for the payment of principal of and interest on the Bonds to the Bondholders or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of

redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Beneficial Owner of any Bond of notice of such rescission is not a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Effect of Notice of Redemption. Notice of redemption having been duly given as aforesaid and moneys for payment of the redemption price of the Bonds so to be redeemed being held by the Paying Agent, on the redemption date designated in such notice (i) the Bonds so to be redeemed shall become due and payable at the redemption price specified in such notice; (ii) interest on such Bonds shall cease to accrue; (iii) such Bonds shall cease to be entitled to any benefit or security under the Paying Agent Agreement; and (iv) the Beneficial Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by Paying Agent at the redemption price.

Registration, Transfer and Exchange of Bonds

If the book-entry-only system is discontinued, the provisions in the Paying Agent Agreement summarized below will govern the registration, exchange and transfer of the Bonds.

The Paying Agent will keep or cause to be kept, at the Paying Agent's Office, the Bond Register to provide for the registration and transfer of the Bonds. The Bond Register will be open to inspection by the District during normal business hours.

Upon surrender of a Bond for transfer at the Paying Agent's Office, the District shall execute and, if required, the Paying Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same series, tenor, and maturity and for an equivalent aggregate principal amount.

Bonds may be exchanged for an equivalent aggregate principal amount of Bonds of other authorized denominations of the same series, tenor, and maturity, upon surrender of the Bonds for exchange at the Paying Agent's Office. Upon surrender of Bonds for exchange, the District shall execute and, if required, the Paying Agent shall authenticate and deliver the Bonds that the Bondholder making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange shall be accompanied by a written instrument of transfer, in a form satisfactory to the Paying Agent that is duly executed by the Beneficial Owner or by his attorney duly authorized in writing. All fees and costs of any transfer or exchange of Bonds shall be paid by the Bondholder requesting such transfer or exchange.

No transfer or exchanges of Bonds are required to be made (a) during the period established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond that has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

THE FINANCING PLAN

The net proceeds of the Bonds will be deposited and invested pursuant to the Escrow Agreement. Funds on deposit under the Escrow Agreement will be deposited into the Escrow Fund and invested in federal securities and irrevocably set aside for (a) payment of interest on the Refunded Prior Bonds as such amounts become due and payable on July 1, 2024, and (b) payment of the redemption price of the Refunded Prior Bonds on July 17, 2024, the redemption date. The sufficiency of the amounts on deposit in the Escrow

Fund, together with realizable interest and earnings thereon, to refund the Refunded Prior Bonds, as described above, will be verified by the Verification Agent. Following the application of proceeds of the Bonds, as described above, and assuming the accuracy of the Verification Agent’s and Underwriter’s calculations, the Refunded Prior Bonds will be defeased, and the County’s obligation to levy *ad valorem* property taxes for the payment of principal and interest in connection therewith will terminate.

The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, and any premium received upon the sale of the Bonds, are required to be held separate and apart by the County in an interest and sinking fund of the District established pursuant to Education Code section 15251, and used only for payment of principal of and interest on Bonds. Funds on deposit in the building and the interest sinking fund will be invested through the County’s pooled investment fund. See Appendix G – “Santa Clara County Investment Policy and Investment Results.”

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources:		
	Principal Amount of Bonds	\$[PAR AMOUNT]
	Net Original Issue Premium	
	Total Sources:	\$
Uses:		
	Deposit to Escrow Fund	\$
	Costs of Issuance ⁽¹⁾	
	Total Uses:	\$

(1) Includes the fees of Bond Counsel, Disclosure Counsel, and Public Finance Consultant, Underwriter’s discount, Paying Agent fees, Escrow Agent fees, Verification Agent fees, legal fees, rating agency fees, and miscellaneous other costs of issuance.

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DEBT SERVICE SCHEDULES

The Bonds. Debt service on the Bonds, assuming no optional redemptions (but including mandatory sinking fund redemption), is as shown in the following table.

2024 General Obligation Refunding Bonds

Date	Principal	Interest	Semiannual Debt Service
February 1, 2025	\$	\$	\$
August 1, 2025			
February 1, 2026			
August 1, 2026			
February 1, 2027			
August 1, 2027			
February 1, 2028			
August 1, 2028			
February 1, 2029			
August 1, 2029			
February 1, 2030			
August 1, 2030			
February 1, 2031			
August 1, 2031			
February 1, 2032			
August 1, 2032			
February 1, 2033			
August 1, 2033			
February 1, 2034			
August 1, 2034			
February 1, 2035			
August 1, 2035			
February 1, 2036			
August 1, 2036			
February 1, 2037			
August 1, 2037			
February 1, 2038			
August 1, 2038			
February 1, 2039			
August 1, 2039			
Total	\$	\$	\$

Upon issuance of the Bonds, scheduled debt service on the District’s outstanding general obligation bond debt, assuming no optional redemption (but including mandatory sinking fund redemption) is shown in the following table.

Outstanding General Obligation Bond Debt Service

Year Ending (June 30)	Outstanding General Obligation Bonds	2024 General Obligation Refunding Bonds	Total General Obligation Bond Debt Service
2024	\$7,354,231	\$	\$
2025	6,337,969		
2026	3,512,969		
2027	2,148,969		
2028	3,678,969		
2029	3,733,969		
2030	3,783,969		
2031	3,843,969		
2032	3,898,969		
2033	3,958,969		
2034	4,023,969		
2035	3,108,969		
2036	2,924,244		
2037	2,268,969		
2038	2,302,194		
2039	2,336,369		
2040	2,366,769		
2041	2,405,925		
2042	2,443,706		
2043	2,480,019		
2044	2,519,775		
2045	2,558,294		
2046	5,466,572		
2047	5,725,206		
2048	6,007,738		
2049	6,336,422		
2050	6,672,741		
2051	6,999,150		
2052	6,951,500		
2053	7,287,900		
Total	\$125,439,378	\$	\$

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Ad Valorem Property Taxes

Property tax revenues result from the application of the appropriate tax rate to the total net assessed value of taxable property in the District. All property, including real, personal and intangible property, is taxable, unless granted an exemption by the State Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The California Legislature (the “State Legislature”) may create

additional exemptions for personal property, but not for real property. Taxes on property located in a school district with boundaries extending into more than one county are administered separately by each county in which the property is located (the District is located solely in the County).

The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* property taxes, without limitation as to rate or amount (except certain personal property that is taxable at limited rates), upon all property within the District subject to taxation by the District for the payment of principal of and interest on the Bonds. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. However, the County is not obligated to establish or maintain such a reserve, and the District can make no representations that the County will do so. Such taxes are required to be levied annually, in addition to all other taxes, during the period that any Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due.

Such taxes, when collected, will be deposited into in the Debt Service Fund maintained by the Santa Clara County Director of Finance (the "County Director of Finance") in the Santa Clara County Treasury for the District pursuant to Education Code section 15251. The County Director of Finance will transfer monies from the taxes collected together with other amounts on deposit in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable.

Taxes on real property located within the District are assessed and collected by the County in the same manner, at the same time, and in the same installments as other *ad valorem* taxes on real property located in the County. In addition to general obligation bonds issued by the District, other entities with jurisdiction in or overlapping with the District may issue debt payable from *ad valorem* taxes also levied on parcels in the District. Such taxes have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as *ad valorem* taxes levied for the payment of the Bonds and other general obligation bonds of the District.

In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Bonds from any source of funds other than *ad valorem* taxes. However, nothing in the District Resolution prevents the District from making advances of its moneys, howsoever derived, to any use or purpose permitted by law.

Although the County is obligated to levy *ad valorem* property taxes for the payment of Bonds, the Bonds are not a debt of the County.

Statutory Lien on *Ad Valorem* Property Tax Revenues

Senate Bill 222 was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 53515 to the California Government Code to provide that voter-approved general obligation bonds which are secured by *ad valorem* tax collections, such as the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Such lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

Property Tax Collection Procedures

Taxes are levied by the County for each fiscal year on taxable real and personal property that is situated 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 that is sufficient, in the opinion of the Santa Clara County Assessor (the “County Assessor”), to secure payment of the taxes. Other property is assessed on the “unsecured roll.” The County Director of Finance, in its capacity as tax collector, is presented with a tax roll created from the combined rolls of the County Assessor and the State Board of Equalization (“SBE”). The County Director of Finance, in its capacity as tax collector, prepares and mails tax bills to taxpayers and collects the taxes.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment, plus a \$20 administrative fee to recoup costs associated with collecting and processing late payments. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Director of Finance.

Property taxes on the unsecured roll are mailed in July and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

As long as the Teeter Plan (as defined herein) remains in effect in the County, the District will be credited with the full amount of the tax levy no matter the delinquency rate within the District. See “Appendix A – The District – General and Financial Information – District Financial Information – Property Taxes” herein for more information.

The following table shows a five-year history of real property tax collections and delinquencies in the District.

**CAMBRIAN SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2018-19 through 2022-23**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2018-19	\$2,688,664.25	\$10,541.58	0.39%
2019-20	2,832,812.08	14,963.67	0.53
2020-21	2,993,268.25	11,491.12	0.38
2021-22	7,317,803.18	35,913.36	0.49
2022-23	5,657,737.97	30,322.27	0.54

⁽¹⁾ District’s general obligation bond levy only.

Source: California Municipal Statistics, Inc. and Santa Clara County Auditor-Controller

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor on January 1 of each year, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the State Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the Consumer Price Index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. See “Constitutional and Statutory Provisions Affecting District Revenues and Appropriations” for more information.

State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may informally request a reduction in assessment directly from the County Assessor, who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the County Assessor. The County Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Director of Finance against all taxing agencies who received tax revenues, including the District.

The secured roll also includes certain “utility” property, entered on the utility roll, located in the County but assessed by the SBE rather than by the County Assessor. Such property includes property owned or used by State-regulated transportation and communications utilities such as railways, telephone and telegraph companies, companies transmitting or selling gas or electricity, and pipelines, flumes, canals and aqueducts lying within two or more counties. Property assessed by the SBE is not subject to the limitation under Article XIII A of the State Constitution, and is annually reappraised at its market value as of January 1 and then allocated by formula among all the taxing jurisdictions in the County, including the District. The growth or decline in the assessed valuation of utility property is shared by all jurisdictions in the County. The District can make no predictions regarding the impact of the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies on the amount of tax revenue collected. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property’s value will no longer be divided among taxing jurisdictions in the County; the transfer of property located and taxed in the District to a State-assessed utility will, in general, reduce the assessed value in the District, as the value is shared among the other jurisdictions in the County. The greater the total assessed value of all taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds.

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. No reimbursement is made by the State for such exemptions.

Proposition 19 was approved by voters at the statewide election held on November 3, 2020. Proposition 19 amends the State Constitution to permit eligible homeowners to transfer their tax assessment anywhere in the State, to increase the number of times that eligible homeowners may transfer their tax

assessment in real property, and to require market value reassessments for inherited properties that are not used as the heir’s principal residence. (See “Appendix A – The District – General and Financial Information – Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Article XIII A of the State Constitution.”) The District cannot predict the impact Proposition 19 it might have on aggregate assessed value of taxable property located within the boundaries of the District.

Shown in the following table are 10 years of the District’s historical assessed valuation, each as of the date the equalized assessment roll is established (in or about August of each year). Total secured assessed value includes net local secured assessed value, the assessed value of the secured homeowner exemption and the assessed value on “utility” property as allocated by the SBE. Total unsecured assessed value includes net local unsecured assessed value and the assessed value of the unsecured homeowner exemption.

CAMBRIAN SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2014-15 through Fiscal Year 2023-24

Fiscal Year	Total Secured Assessed Value	Total Unsecured Assessed Value	Total Assessed Value	Percentage Change
2014-15	\$5,072,993,218	\$109,999,209	\$5,182,992,427	--
2015-16	5,422,637,912	111,056,104	5,533,694,016	6.8%
2016-17	5,767,576,182	114,259,101	5,881,835,283	6.3
2017-18	6,081,805,993	103,707,807	6,185,513,800	5.2
2018-19	6,466,688,296	106,063,544	6,572,751,840	6.3
2019-20	6,858,121,893	103,875,073	6,961,996,966	5.9
2020-21	7,246,264,504	101,986,217	7,348,250,721	5.5
2021-22	7,590,931,630	124,827,714	7,715,759,344	5.0
2022-23	8,222,048,045	114,450,279	8,336,498,324	8.0
2023-24	8,724,241,884	121,431,167	8,845,673,051	6.1

Source: County of Santa Clara Controller-Treasurer Department

The District may not issue general obligation bonds in excess of 1.25% of the assessed valuation of taxable property within its boundaries. Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District’s bonding capacity. The District’s gross bonding capacity in fiscal year 2023-24 is \$110,570,913. Upon issuance of the Bonds, the District will have remaining bonding capacity of approximately \$[17,870,969]*.

* Preliminary, subject to change.

Shown in the following table is the distribution of total assessed value among the cities and unincorporated areas encompassed by the District for fiscal year 2023-24.

**CAMBRIAN SCHOOL DISTRICT
Assessed Valuation by Jurisdiction⁽¹⁾**

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Campbell	\$2,735,629,568	30.93%	\$13,909,039,066	19.67%
Town of Los Gatos	66,947,106	0.76	18,056,023,227	0.37
City of San Jose	5,740,512,823	64.90	245,167,985,028	2.34
Unincorporated	302,583,654	3.42	23,251,521,092	1.30
Total District	\$8,845,673,151	100.00%		
Santa Clara County	\$8,845,673,151	100.00%	\$660,080,440,806	1.34%

Source: California Municipal Statistics, Inc.

Shown in the following table is a distribution of taxable real property located in the District by principal purpose for which the parcels are used along with the local secured assessed valuation (excluding homeowners' exemption) and number of parcels for each use for fiscal year 2023-24.

**CAMBRIAN SCHOOL DISTRICT
Secured Roll Assessed Valuation and Parcels by Land Use**

	2023-2024 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non Residential:				
Commercial/Office	\$819,866,412	9.40%	295	3.13%
Hospital	188,407,701	2.16	2	0.02
Industrial	273,333,445	3.13	101	1.07
Government/Social/Institutional	12,034,846	0.14	43	0.46
Water Companies and Utilities	20,123,174	0.23	41	0.44
Subtotal Non-Residential	\$1,313,765,578	15.06%	482	5.12%
Residential:				
Single-Family Residence	\$5,535,175,560	63.45%	6,617	70.32%
Condominium/Townhouse	1,020,221,216	11.69	1,782	18.94
Mobile Home	5,326,242	0.06	26	0.28
2-4 Residential Units	312,719,035	3.587	400	4.25
5+Residential Units/Apartments	497,316,219	5.70	72	0.77
Subtotal Residential	\$7,370,758,272	84.49%	8,897	94.55%
Vacant Parcels	\$39,718,034	0.46%	31	0.33%
Total	\$8,724,241,884	100.00%	9,410	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

The following table sets forth the assessed valuation of single-family homes within the District’s boundaries for fiscal year 2023-24.

CAMBRIAN SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes

	No. of Parcels	2023-24 Assessed Valuation		Average Assessed Valuation	Median Assessed Valuation	
Single Family Residential	6,617	\$5,535,175,560		\$836,508	\$766,614	
2023-24 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$99,999	540	8.161%	8.161%	\$40,813,161	0.737%	0.737%
\$100,000 - \$199,999	417	6.302	14.463	59,172,830	1.069	1.806
\$200,000 - \$299,999	408	6.166	20.629	102,167,936	1.846	3.652
\$300,000 - \$399,999	471	7.118	27.747	165,120,992	2.983	6.635
\$400,000 - \$499,999	358	5.410	33.157	160,732,557	2.904	9.539
\$500,000 - \$599,999	372	5.622	38.779	203,654,229	3.679	13.218
\$600,000 - \$699,999	451	6.816	45.595	292,147,469	5.278	18.496
\$700,000 - \$799,999	431	6.514	52.108	323,166,970	5.838	24.335
\$800,000 - \$899,999	435	6.574	58.682	370,774,966	6.699	31.033
\$900,000 - \$999,999	430	6.498	65.181	409,242,851	7.393	38.427
\$1,000,000 - \$1,099,999	359	5.425	70.606	375,529,136	6.784	45.211
\$1,100,000 - \$1,199,999	283	4.277	74.883	324,629,348	5.865	51.076
\$1,200,000 - \$1,299,999	276	4.171	79.054	345,466,188	6.241	57.317
\$1,300,000 - \$1,399,999	277	4.186	83.240	374,274,708	6.762	64.079
\$1,400,000 - \$1,499,999	243	3.672	86.912	350,727,386	6.336	70.415
\$1,500,000 - \$1,599,999	195	2.947	89.859	301,915,476	5.454	75.870
\$1,600,000 - \$1,699,999	181	2.735	92.595	297,839,982	5.381	81.251
\$1,700,000 - \$1,799,999	119	1.798	94.393	207,788,485	3.754	85.005
\$1,800,000 - \$1,899,999	86	1.300	95.693	158,986,417	2.872	87.877
\$1,900,000 - \$1,999,999	72	1.088	96.781	140,200,364	2.533	90.410
\$2,000,000 and greater	213	3.219	100.000	530,824,109	9.590	100.000
Total	6,617	100.000%		\$5,535,175,560	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

Risk of Decline in Property Values

Assessed valuations are subject to increase or decreases in each year for a variety of reasons, including, but not limited to, general economic conditions, supply and demand for real property, government regulations concerning land use, and natural disasters. The District makes no predictions or representations regarding the effects of such natural disasters on taxable property within the District, or the impacts of such natural disasters on the local and State economic conditions. A reduction of the assessed valuation of property in the District could necessitate an unanticipated increase in tax rates. See “—Typical Tax Rates” herein.

Earthquake. The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding San Francisco Bay Area. Three major earthquake faults that comprise the San Andreas fault system extend through the San Francisco Bay Area, including the San Andreas fault, the Hayward fault, and the Calaveras fault. In August 2016, the 2014 Working Group on California Earthquake Probabilities (a collaborative effort of the United States Geological Survey, the California Geological Society and the Southern California Earthquake Center) issued a revised report that states there is a 72% chance that one or more earthquakes of magnitude 6.7 or larger will occur in the San Francisco

Bay Area before the year 2043. Such earthquakes may be very destructive. Property within the District could sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity.

Wildfire and Drought. Additionally, California is vulnerable in recent years to wildfires (with subsequent flooding or mudslides) and drought. Portions of the State, including the County and adjacent counties, have experienced wildfires that have burned millions of acres and destroyed thousands of homes and structures. Property damage due to wildfire could result in a significant decrease in the assessed value of property in the District. The District itself is not in a fire hazard severity zone, but it is located between mountainous areas that are at high or very high risk of wildfires, according to the California Fire Hazard Severity Zone Map; including the Town of Los Gatos. Smoke, runoff, and other effects of such wildfires, along with damage to structures from the fires, may impact the District's operations, including its ability to keep schools open and to provide educational services to students.

On July 8, 2021 the Governor declared a drought emergency in 50 of the State's counties, including Santa Clara County. The declaration asked residents to voluntarily cut water consumption by 15% compared to the prior year. As a result of significant rainstorms, in 2023 and 2024, no counties in California are in a drought. It is not possible for the District to make any representations regarding the extent to which wildfires or drought conditions could cause reduced economic activity within the District or the extent to which wildfires or drought has had or may have an impact in the future on the value of taxable property within the District.

Climate Change. Long term shifts in the Earth's temperature and weather patterns are generally referred to as "climate change." It is expected that, among other things, climate change will result in sea level rise and an increase in the frequency of extreme weather events, including, but not limited to, wildfires, drought, and flooding. More frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems, and social systems over the next 25 to 100 years. Sea level rise may particularly impact coastal areas and waterways throughout or in the vicinity of the District. The District cannot predict what impact climate change will have on property values in the District.

Public Health Emergencies. In late 2019, an outbreak of a respiratory disease caused by a new strain of coronavirus ("COVID-19") resulted in an ongoing global public health crisis. The federal and State governments both declared public health emergencies and took action, along with local governments, to limit the spread of the outbreak and reduce the resulting economic impact. Nevertheless, as a result of the COVID-19 pandemic, there have been adverse and volatile financial and economic impacts worldwide. Although the public emergencies have ended, and it appears that COVID-19 is transitioning from the pandemic stage to endemic stage, investors are cautioned that, at this time, the District cannot predict the ongoing outbreak's extent or duration or the impacts that COVID-19, or any other public health emergency that may arise, may have on its operations and finances, enrollment and average daily attendance ("ADA"), property values in the District, and economic activity in the District and the State. Additionally, the District cannot predict how future responses by federal, State or local authorities to COVID-19 or any other public health emergency may impact the District's financial condition, the assessed value of real property in the District, or property tax collections within the District. For more disclosure regarding the COVID-19 emergency, see Appendix A – "The School District – General and Financial Information – Impacts of COVID-19," as well as other references to COVID-19 in Appendix A. The District cannot predict whether future pandemics or other public health emergencies will emerge and whether or how such pandemics or health emergencies may impact the District's finances and operations.

Proposition 19. Proposition 19, approved by voters of the State at the election held on November 3, 2020, is a State constitutional amendment that changes the manner of assessment of property when it is

transferred between parents and children. Under prior law, reassessment was not triggered by such transfers, but Proposition 19 generally would result in a reassessment. The District cannot predict the impact Proposition 19 may have in the future on the value of taxable property within the District. See “Security and Sources of Payment for the Bonds – Assessed Valuations” and Appendix A – “The District – General and Financial Information – Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Article XIII A of the State Constitution.”

Other. Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as fire, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable, or religious purposes).

Typical Tax Rates

The State Constitution permits the levy of an *ad valorem* property tax on taxable property not to exceed one percent of the property’s full cash value, plus the amount necessary to make annual payments due on general obligation bonds or other indebtedness incurred prior to July 1, 1978, any bonded indebtedness for the acquisition or improvement of real property approved by a two-thirds majority of voters on or after July 1, 1978, and certain bonded indebtedness for school facilities approved by 55% of the voters. The County Director of Finance, in its capacity as auditor-controller, computes the additional rate of tax necessary to pay such scheduled debt service and presents the tax rates for all taxing jurisdictions in the County to the County Board, and directs the auditor-controller of any secondary county to place the tax on the secondary county’s tax rolls.

The rate of the annual *ad valorem* property tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District’s control, such as economic recession, outbreaks of disease, slower growth, or deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, a flood, a fire or wildfire, or other natural or man-made disaster, could necessitate an unanticipated increase in tax rates.

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One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax on each parcel, The table below shows the tax rates on the secured roll during the past five fiscal years for Tax Rate Area No. 17-015, which is entirely within the District.

CAMBRIAN SCHOOL DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation
Fiscal Years 2019-20 through 2023-24
(TRA 17-015/ 2022-23)⁽¹⁾

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
General Tax Rate	1.00000	1.00000	1.00000	1.00000	1.00000
County Retirement Levy	0.03880	0.03880	0.03880	0.38800	0.03880
County Hospital and Housing Bonds	0.01690	0.00690	0.01876	0.01710	0.01500
Cambrian School District Bonds	0.04150	0.04150	0.06920	0.06890	0.07860
Campbell Union High School District Bonds	0.04630	0.04390	0.04210	0.04010	0.03660
West Valley-Mission Community College District Bonds	0.02960	0.03110	0.03040	0.02830	0.02580
City of San Jose Bonds	0.02260	0.01750	0.02070	0.01910	0.01670
Total All Property Tax Rate	<u>1.19300</u>	<u>1.17970</u>	<u>1.21996</u>	<u>1.21230</u>	<u>1.21150</u>
Santa Clara Valley Water District State Water Project	0.00410	0.00370	0.00510	0.00440	0.00410
Total Land and Improvement Tax Rate	<u>0.00410</u>	<u>0.00370</u>	<u>0.00510</u>	<u>0.00440</u>	<u>0.00410</u>

⁽¹⁾ 2023-24 assessed valuation of TRA 17-015 is \$5,545,696,938 which is 62.69% of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

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Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2023-24. The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such taxpayer’s financial situation and ability or willingness to pay property taxes. The 20 taxpayers in the District with the greatest combined secured assessed valuation of taxable property on the fiscal year 2023-24 tax roll own property that comprises 10.22% of the local assessed valuation of secured property in the District. These taxpayers, ranked by aggregate assessed value of taxable property as shown on the fiscal year 2023-24 secured tax roll, and the amount of each owner’s assessed valuation for all taxing jurisdictions within the boundaries of the District are shown in the table below. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

CAMBRIAN SCHOOL DISTRICT Largest Local Secured Taxpayers

	Property Owner	Primary Land Use	2023-24 Assessed Valuation	% of Total ⁽¹⁾
1.	Good Samaritan Hospital LP	Hospital	\$188,407,701	2.16%
2.	Parc Residences LLC	Apartments	115,212,584	1.32
3.	Campbell Technology Park LLC	Business Park	89,364,810	1.02
4.	Pacific OAK SOR II	Office Building	58,598,211	0.67
5.	Weingarten Nostat Inc.	Shopping Center	56,603,877	0.65
6.	Essex the Commons LP	Apartments	52,316,226	0.60
7.	Cedar Glen Associates	Apartments	30,755,301	0.35
8.	EQR Woodleaf Apartments LP	Apartments	30,244,953	0.35
9.	Camden Park LLC	Shopping Center	29,897,961	0.34
10.	Robson Homes LLC	Residential Development	27,014,382	0.31
11.	Lotus Hotel-Campbell LLC	Hotel	25,163,925	0.29
12.	San Jose Water Works	Water Company	24,856,699	0.28
13.	Grand Prix Campbell SJ LLC	Hotel	22,192,698	0.25
14.	Union Manor Apartments LP	Apartments	22,116,488	0.25
15.	HD Development of Maryland Inc.	Commercial	21,254,129	0.24
16.	Save Mart Portfolio Owner Fund V CA LLC	Supermarket	20,286,114	0.23
17.	Dayton Hudson Corporation	Commercial	19,779,374	0.23
18.	Go Sasaki Sr., Trustee	Apartments	19,686,155	0.23
19.	North Forty Senior LP	Apartments	19,423,334	0.22
20.	Richard T. Spieker	Apartments	18,757,936	0.22
			\$891,935,858	10.22%

⁽¹⁾ 2023-24 Local Secured Assessed Valuation: \$8,724,241,884

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Discussed and shown below is a statement of direct and overlapping bonded debt (the “Debt Report”) prepared by California Municipal Statistics, Inc. and dated March 6, 2024. 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. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the Debt Report. The first column in the table names each public agency which has outstanding debt as of March 1, 2024, 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 (not shown) 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. Property owners within the boundaries of the District may be subject to other special taxes and assessments levied by other taxing authorities providing services within the boundaries of the District. Such non-*ad valorem* special taxes and assessments (which are not levied to fund debt service) are not represented in the statement of direct and overlapping bonded debt.

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CAMBRIAN SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
As of March 1, 2024

2023-24 Assessed Valuation: \$8,845,673,151

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/24</u>
Santa Clara County	1.340%	\$12,820,718
West Valley-Mission Community College District	4.680	31,030,272
Campbell Union High School District	13.246	44,531,065
Cambrian School District	100.	92,699,944 ⁽¹⁾
City of Campbell	19.668	8,203,523
City of San Jose	2.341	12,239,099
Midpeninsula Regional Open Space Park	0.058	46,806
Santa Clara Valley Water District Benefit Assessment District	1.340	391,749
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$201,963,176
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Santa Clara County General Fund Obligations	1.340%	\$14,648,470
Santa Clara County Pension Obligation Bonds	1.340	4,338,030
Santa Clara County Board of Education Certificates of Participation	1.340	12,529
West Valley-Mission Community College District General Fund Obligations	4.680	381,888
Campbell Union High School District General Fund Obligations	13.246	1,854,440
City of Campbell Certificates of Participation	19.668	916,695
City of San Jose General Fund Obligations	2.341	15,364,802
Midpeninsula Regional Open Space Park General Fund Obligations	0.058	49,303
Santa Clara County Vector Control District Certificates of Participation	1.340	16,482
Santa Clara County Central Fire Protection District General Fund Obligations	0.097	26,922
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$37,609,561
Less: Santa Clara County supported obligations		35,644
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$37,573,917
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		<u>\$2,675,901</u>
GROSS COMBINED TOTAL DEBT		\$ 242,248,638 ⁽²⁾
NET COMBINED TOTAL DEBT		\$242,212,994

⁽¹⁾ Excludes issues to be sold.

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

Ratios to 2023-24 Assessed Valuation:

Direct Debt (\$92,699,944)	1.05%
Total Direct and Overlapping Tax and Assessment Debt	2.28%
Gross Combined Total Debt	2.74%
Net Combined Total Debt	2.74%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$248,083,943):

Total Overlapping Tax Increment Debt	1.08%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

ESCROW VERIFICATION

Upon delivery of the Bonds, the Verification Agent 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 proceeds of the Bonds, held by the Escrow Agent and held as cash, to pay, when due, the interest, and redemption requirements of the Refunded Prior Bonds, as set forth herein.

LEGAL MATTERS

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Parker & Covert LLP, Sacramento, California, Bond Counsel for the District. The opinion of Bond Counsel with respect to the Bonds will be delivered in substantially the form attached hereto as Appendix D. Certain legal matters will also be passed upon for the District by Parker & Covert LLP, as Disclosure Counsel.

TAX MATTERS

In the opinion of Parker & Covert LLP, Sacramento, California, Bond Counsel, based upon the analysis of existing statutes, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific item of tax preference for purposes of the alternative minimum tax imposed on individuals. However, for tax years beginning after December 31, 2022, interest on the Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations. A complete copy of the proposed form of Opinion of Bond Counsel is set forth in Appendix D attached hereto.

The Internal Revenue Code of 1986, as amended, (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds.

The District has made certain representations and has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after that date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal and/or state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal and/or state tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service (“IRS”), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations that present similar tax issues, will not affect the market price or liquidity of the Bonds.

The rights of the Beneficial Owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor’s 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.

CONTINUING DISCLOSURE

The District has covenanted 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”) not later than nine months after the end of the District’s fiscal year (which currently ends on June 30), commencing with the report for the 2023-24 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and event notices will be filed by the District with the MSRB through its EMMA website. The specific nature of the information to be contained in the Annual Report and in the event notices is described in Appendix E – “Form of Continuing Disclosure Certificate.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2 12(b)(5) (the “Rule”).

As of the date of this Official Statement, and except as stated herein, all required filings in the past five years have been made in connection with prior undertaking under the Rule.

The District has engaged Government Financial Services Joint Powers Authority to assist it in carrying out its continuing disclosure obligations for the District’s general obligation bonds.

LITIGATION

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

RATING

S&P Global Ratings (“S&P”) has assigned a municipal bond rating of “___” to the Bonds. Such rating reflects only the views of S&P, and an explanation of the significance of the rating may be obtained from S&P. S&P may have obtained and considered information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by them.

The rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of the rating agency, circumstances so warrant. The District has not undertaken any responsibility to assure the maintenance of the rating or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by [UNDERWRITER] (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$_____, which equals the par amount of the Bonds (\$[PAR AMOUNT]), plus net original issue premium (\$_____), and less underwriter’s discount (\$_____). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased) and provides that the Underwriter’s obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

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

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

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

AUTHORIZATION

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

CAMBRIAN SCHOOL DISTRICT

By: _____
Kristi Schwiebert
Superintendent

**APPENDIX A
THE DISTRICT
GENERAL AND FINANCIAL INFORMATION**

The information in this section concerning the operations of the District and its 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 an ad valorem property tax, approved by the voters of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal of and interest on the Bonds.

DISTRICT INFORMATION

Introduction

Cambrian School District (the “District”), is a political subdivision of the State of California (the “State”) established in 1865. The District encompasses approximately eight square miles located in Santa Clara County (the “County”), serving a population of approximately 30,300 people residing in the western portion of the City as well as portions of the City of Campbell and the Town of Los Gatos. The District operates four elementary schools serving transitional kindergarten through fifth grade, three of which are charter schools, one charter middle school serving sixth through eighth grade, and one magnet elementary school (focused on Science, Technology, Engineering, Arts and Math (S.T.E.A.M)) serving transitional kindergarten through eighth grade, in total providing education to approximately 3,000 students. See “The District – General and Financial Information – District Information – Governing Board” herein. The District’s audited financial statements for the fiscal year ending June 30, 2023 are attached hereto as Appendix B, and should be read in their entirety.

Governing Board

The District is governed by a five-member Board, each member of which is elected to a four-year term. Elections for positions to the Board are held in even-numbered years, alternating between two and three available positions. Current members of the Board, their offices, and the expiration of their terms of office are shown below.

**CAMBRIAN SCHOOL DISTRICT
Governing Board**

Name	Office	Term Expires
Jarod Middleton	President	2026
Carol Presunka	Vice President	2026
Dr. Beth Erickson	Clerk	2024
Janet Gillis	Member	2024
Nick Villalobos	Member	2026

Superintendent and Administrative Personnel

The Superintendent of the District is appointed by and reports to the Board. The Superintendent is responsible for management of the District’s day-to-day operations and supervises the work of other District administrators.

Kristi Schwiebert, Superintendent. Ms. Schwiebert was approved by the Board as the Superintendent of the District on December 16, 2021 after previously serving in the District as Acting Superintendent, Assistant Superintendent of Personnel, and Principal. Based on her leadership abilities, Ms. Schwiebert was offered the Principal position at Steindorf K-8 Magnet School and was involved in all the decision-making processes with the opening of that school, including classroom layouts and curriculum. Ms. Schwiebert received her undergraduate degree in Liberal Studies from Cal Poly, and her master’s degree in Educational Leadership from San Jose State University.

John Pappalardo, Chief Financial Officer. Dr. Pappalardo is an experienced educational leader with over 35 years of experience in public education which includes: Superintendent of Schools in K-12 Public Education, Finance and Facilities Officer, Deputy Superintendent, Business Services, as well as Business Services Manager and Director of Data Processing. He has taught fiscal resource management courses at the University of La Verne, California State University, Los Angeles, and San Jose State University Ed.D. Program. Along with expertise in the public sector and public-school systems, he brings a wealth of knowledge in leadership, finance and budgeting, risk management, insurance, operations and facilities as well as other business functions.

Employees

The following table sets forth the District’s historical full-time equivalent employees in all categories for fiscal years 2019-20 through 2022-23, as well as the budgeted full-time equivalent employees for fiscal year 2023-24 as of the second interim reporting period. These employees, except management and some part-time employees, are represented by the three bargaining units noted in the next section.

CAMBRIAN SCHOOL DISTRICT District Employees

Year	Certificated	Classified	Management and Confidential	Total
2019-20	167.0	77.0	27.0	271.0
2020-21	157.5	85.3	24.0	266.8
2021-22	149.0	83.6	24.0	256.6
2022-23	149.0	91.0	26.0	266.0
2023-24 ⁽¹⁾	157.5	94.3	27.0	278.8

⁽¹⁾ As of 2023-24 Second Interim Report
Source: Cambrian School District.

Employee Relations

State law provides that employees of public school districts of the State are to be divided into appropriate bargaining units, which then are to be represented by an exclusive bargaining agent.

The District has two recognized bargaining agents representing its non-management employees. The Cambrian District Teacher’s Association (“CDTA”) represents non-management, certificated employees. The California School Employees Association, Chapter 661 (“CSEA Chapter 661”) represents

non-management classified employees. The District has settled with CDTA and CSEA Chapter 661 for fiscal year 2023-24 and salary increases of 8.0% for CDTA and 8.0% for CSEA Chapter 661 are reflected in the Second Interim Report. The District has commenced negotiations with both CDTA and CSEA Chapter 661 for the next fiscal year 2024-25.

Retirement System

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 be construed as a representation by either the District or the Underwriter.

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System ("STRS") and classified employees are members of the Public Employees' Retirement System ("PERS").

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teacher's Retirement Law. STRS is funded through a combination of investment earnings and statutorily set contributions from employee plan members, the District and the State. Both active plan members and the District are required to contribute at a statutorily established rate.

Historically, employee, employer, and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the statutory contributions were significantly less than the actuarially required amounts. As a result, and due in part to investment losses, the STRS Defined Benefit Program showed an estimated unfunded actuarial obligation of approximately \$88.6 billion as of June 30, 2022 (the date of the last actuarial valuation). Compared to the previous valuation, the unfunded actuarial obligation decreased in part due to greater than expected investment returns, salary increases less than assumed, additional state contributions, and contributions to pay down the unfunded actuarial obligation under the STRS Board's valuation policy.

In June 2014, the Governor signed into law Assembly Bill 1469 ("AB 1469"), which represented a legislative effort to address the unfunded liabilities with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 by requiring increased State, employer, and member contributions to the Teachers' Retirement Fund in order to eliminate such unfunded actuarial obligation by June 30, 2046.

Pursuant to AB 1469, starting July 1, 2014, the employee contribution rates increased over a three-year phase-in period. Effective July 1, 2016, STRS members hired prior to January 1, 2013 contribute a statutorily fixed percentage of 10.250% of pay. For STRS members hired after January 1, 2013, a base rate ("Normal Cost Rate") is calculated equal to one-half of the normal cost rate of benefits, rounded to the nearest quarter of one percent. This Normal Cost Rate will not be adjusted if the increase or decrease in such rate is less than 1% of creditable compensation since the last adjustment. For fiscal year 2023-24, STRS members hired after January 1, 2013 will continue to contribute 10.205% of pay.

Pursuant to AB 1469, K-14 school districts' contribution rates increased over a seven-year phase-in period through fiscal year 2020-21. For fiscal year 2021-22 and each fiscal year thereafter, the Teachers' Retirement Board shall increase or decrease the percentages paid by school districts from the percentage paid during the prior fiscal year to reflect the contribution required to eliminate by June 30, 2046, the

remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Teachers' Retirement Board based upon a recommendation from its actuary. The effective employer contribution rate was 19.10% in fiscal year 2022-23 and is also 19.10% for fiscal year 2023-24.

The State's contribution to STRS 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 Teachers' Retirement Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect its contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect on July 1, 1990. For fiscal year 2023-24, the State's contribution rate is 8.328%. 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 Maintenance Account (the "SBMA"), 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. As a result, the total State contribution for the Defined Benefit Program for fiscal year 2023-24 is 10.828%.

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of the School Employer Pool, a "cost-sharing" pool for school employers within PERS. With the enactment of the California Public Employees' Pension Reform Act ("PEPRA") (see "California Public Employees' Pension Reform Act of 2013" herein), a member who joined PERS (a) prior to January 1, 2013 but was hired by a different PERS employer on or after January 1, 2013 following a break in service of more than six months, (b) for the first time on or after January 1, 2013 and has no prior membership in another California public retirement system, or (c) for the first time on or after January 1, 2013, and who was a member of another California public retirement system, but who is not subject to reciprocity upon joining PERS is considered a PEPRA member. PERS members who are not PEPRA members are considered Classic members. PEPRA members are required to contribute at least 50% of the total normal cost rate of their pension benefit. PEPRA contains a provision that provides when the total normal cost rate changes by more than 1% of payroll, the member contribution rate must be adjusted to half of the new normal cost rate. For fiscal year 2023-24, the total normal cost rate for PEPRA school members has not changed by more than 1% of payroll since the last member rate adjustment. As a result, for the 2023-24 fiscal year, PEPRA members will continue to contribute 8.0% of their salaries. Active plan members enrolled in PERS as Classic members are required by statute to contribute 7.0% of their salaries.

The District is required to contribute an actuarially determined rate, which is 26.68% of eligible salary expenditures in fiscal year 2023-24, an increase from 25.37% in the prior fiscal year. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each participant.

Similar to STRS, PERS has experienced an unfunded liability in recent years. The PERS unfunded accrual liability was approximately \$37.60 billion as of June 30, 2022 (the date of the last actuarial valuation). From June 30, 2021 to June 30, 2022 the funded ratio for the School Employer Pool decreased by 10.4%. This decrease in the funded ratio was due in part to investment return in 2021-22 being lower than expected. Since inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, ongoing higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation.

Among other things, to address the unfunded liability issue, the PERS Board of Administration (the "PERS Board"), in April 2013, approved changes to the PERS amortization and smoothing policy in order

to reduce volatility in employer contribution rates. Additionally, in April 2014, the PERS Board established new contribution rates, reflecting changes in actuarial and demographic assumptions, that were implemented for school districts in fiscal year 2016-17. Further, in November 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS discount rate in years of good investment returns, help pay down unfunded liability, and to provide greater predictability and less volatility in contribution rates for employers. The PERS Board, in December 2016 voted to lower its discount rate from 7.5% to 7.0% by fiscal year 2020-21. Subsequently, since the preliminary returns on investment as of July 12, 2021 exceeded the prior 7.0% discount rate, pursuant to the PERS Funding Risk Mitigation Policy, the discount rate was automatically reduced by 0.2% to 6.8%. The goal for the new rates is to eliminate the unfunded liability in approximately 30 years.

District Contributions. The District’s retirement contributions for the fiscal year ended June 30, 2023, are as follows:

**CAMBRIAN SCHOOL DISTRICT
Retirement Contributions for Fiscal Year 2022-23**

	Total Employer Contributions	District’s Fiscal Year 2022-23 Covered Payroll	Employer Contribution as a Percentage of Covered Payroll
STRS	\$3,691,074	\$19,324,995	19.10%
PERS	1,504,777	5,931,324	25.37

Source: Cambrian School District, Audited Financial Statements for Fiscal Year 2022-2023

For the 2023-24 fiscal year the District has budgeted \$5,800,514 for STRS (reflecting a contribution rate of 19.10% of annual payroll) and \$1,762,469 for PERS (reflecting a contribution rate of 26.68% of annual payroll) as of the second interim reporting period.

State Pension Trusts. Both STRS and PERS issue a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from both 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 following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS from their most recently released reports.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Plan)
(Dollar Amounts in Millions)⁽¹⁾

Plan	Accrued Liability	Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS) School Plan	\$116,982 ⁽²⁾	\$79,386 ⁽³⁾	\$37,596
State Teachers' Retirement Fund (STRS) Defined Benefit Program	346,089 ⁽⁴⁾	257,537 ⁽⁵⁾	88,552

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ June 30, 2022 Valuation Date.

⁽³⁾ Reflects market value of assets as of June 30, 2022.

⁽⁴⁾ June 30, 2022 Valuation Date.

⁽⁵⁾ Reflects actuarial value of assets as of June 30, 2022.

Source: CalPERS Schools Pool Actuarial Valuation as of June 30, 2022; STRS Defined Benefit Program Actuarial Valuation dated June 30, 2022.

Unlike PERS, STRS contribution rates for participant employers, employees and the State are set by statute and do not vary from year-to-year based on actuarial valuations. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS had increased significantly. However, AB 1469, as discussed above, in an effort to address the unfunded liabilities of the STRS pension plan, requires increased contributions in order to eliminate the unfunded actuarial obligation of the Defined Benefit Program by June 30, 2046. Employee contributions and eligibility for retirement vary depending on whether such employee was hired on or after January 1, 2013.

California Public Employees' Pension Reform Act of 2013. PEPRAs was signed in to law by the Governor on September 12, 2012. PEPRAs impacts to the STRS and PERS program included (i) an increase in the retirement age for public employees depending on job function, (ii) a cap on the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) a requirement for public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits, and (iv) a requirement for final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months. PEPRAs provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date. Existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRAs through collective bargaining.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRAs and/or AB1469, as a result of negotiations with its employee bargaining units, and/or as a result of any legislative or administrative changes that may be adopted in the future regarding employer contributions to PERS and STRS. The District cannot predict whether any projected savings by PERS' and STRS' actuaries will be realized by the District. The District can provide no assurances that the District's required contributions to PERS will not increase in the future.

Although recent preliminary investment return data suggests PERS and STRS will see improved performance, the general market decline caused in part by the COVID-19 pandemic has resulted in losses for the investments held in the PERS and STRS portfolios. Such investment losses may result in increases in the District's required contributions to PERS and STRS in future years. The District cannot predict the amount of such increase, if any.

Other Post-Employment Benefit Obligations

The District does not provide other post-employment benefits (“OPEB”) to its employees.

Risk Management

The District takes part in joint powers authorities with other entities for property and liability insurance coverage and for worker’s compensation claims risk pooling. For property and liability insurance coverage, settled claims have not exceeded commercial coverage, provided through Santa Clara County Schools Insurance Group, in any of the past three years. For such insurance program, there has been no significant reduction in insurance coverage to date. Workers’ compensation coverage, also provided by Santa Clara County Schools Insurance Group, operates by way of an equity pooling arrangement, ensuring that each participant in the pool shares equally in the overall performance of the Santa Clara County Schools Insurance Group. The District has met the selection criteria to be a member of the Santa Clara County Schools Insurance Group. See “Joint Powers Authority” below.

The following is a summary of coverage provided for workers’ compensation and property and liability, as of June 30, 2023:

CAMBRIAN SCHOOL DISTRICT Workers’ Compensation and Property and Liability Insurance Coverage

Insurance Program	Type of Coverage	Limits
Santa Clara County Schools Insurance Group	Workers’ Compensation	\$1,000,000
School Excess Liability Fund (SELF)	Excess General Liability	50,000,000
Santa Clara County Schools Insurance Group	General Liability	5,000,000
Santa Clara County Schools Insurance Group	Property	500,000,000

Source: Cambrian School District, Audited Financial Statements for Fiscal Year 2022-23

Joint Powers Authority

The District is a member with other school districts in three joint powers agencies, Santa Clara County Schools Insurance Group and West Valley Transportation Joint Powers Authority (collectively, the “Agencies”). The Santa Clara County Schools Insurance Group arranges for and provides property liability coverage, worker’s compensation insurance, and health benefits insurance for participating school districts. The West Valley Transportation Joint Powers Authority Group arranges for and provides transportation services for member school districts. The District anticipates becoming a member of Government Financial Services Joint Powers Authority to receive financial services. See “Risk Management” above.

The District pays an annual premium to the Agencies for their respective services. During the year ended June 30, 2023, the District made payments to the Santa Clara County Schools Insurance Group of \$318,583 for general liability coverage, \$408,770 for workers’ compensation, and \$2,784,814 for health and wellness, and to West Valley Transportation Joint Powers Authority of \$40,929. The District has appointed one member to each of the governing boards of the Santa Clara County Schools Insurance Group and the West Valley Transportation Joint Powers Authority.

The relationship between the District and the Agencies is such that they are not a component unit of the District for financial reporting purposes. The Agencies 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 Agencies and the District are included in the District’s financial statements.

Cyber Security

The District's computer hardware and software systems, along with the data it collects, processes, and maintains, are critical for the District's ability to carry out its educational and operational functions. Such systems and data are at risk of cyber security threats from time to time. In 2021 the District was a victim of a ransomware attack. The District's data was recovered with the assistance of its cyber security insurance provider, Santa Clara County Schools Insurance Group. Other than this incident, the District is not aware of any major cyber security attacks or breaches of its systems and data during the last five years. To protect itself from cyber security attacks and breaches, the District has implemented a multifactor authentication system and utilizes cloud backup and a secondary backup of its data. Additionally, the District receives training and support from Santa Clara County Schools Insurance Group. As a result of the District's trainings and steps it has taken to protect its computer systems and data, the District expects that any disruptions caused by a cyber-attack or breach would be temporary. The District can make no assurances that a future cyber-attack or breach or attempted cyber-attack or breach would not compromise private, protected, personal information that the District collects, processes, and maintains or cause a disruption to District operations.

DISTRICT FINANCIAL INFORMATION

District Financial Statements

The District's Audited Financial Statements with supplemental information for the fiscal year ended June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the report dated February 29, 2024 of Chavan & Associates, LLP, Morgan Hill, California (the "Auditor") are included in this Official Statement as Appendix B. The financial statements should be read in their entirety. The information set forth herein does not purport to be a summary of the District's financial statements.

In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix B 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.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund, which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30. All governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes measurable and available for the current period; and expenditures are recognized in the period in which the liability is incurred, although debt service expenditures are recorded only when payment is due. For more information on the District's accounting

method, see Appendix B – “Audited Financial Statements of the District for Fiscal Year Ended June 30, 2023, Note 1 – Summary of Significant Accounting Policies.”

District Budget

The District is required by provisions of the California Education Code to maintain each year a balanced budget in which the sum of expenditures plus the ending fund balance for each year cannot exceed the revenues plus the carry-over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State. The budget is subject to review and approval by the County Superintendent of Schools. The County Superintendent examines the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identifies technical corrections necessary to bring the budget into compliance, determines if the budget allows the district to meet its current obligations and determines if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. 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. In the past ten years, the District has never had an adopted budget disapproved by the County Superintendent.

Pursuant to State law, the District adopted on June 15, 2023, a fiscal line-item budget setting forth revenues and expenditures so that appropriations during Fiscal Year 2023-24 will not exceed the sum of revenues plus beginning fund balance.

Interim Reports on Financial and Budgetary Status

Every school district is required to file two interim certifications with the County Superintendent (the first on December 15 for the period ended October 31 and the second by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certifications and issues either a positive, negative, or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or 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 two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent in that fiscal year or in the next succeeding year.

The filing status for each of the District’s interim reports for the previous five fiscal years and the current fiscal year appears in the following table.

CAMBRIAN SCHOOL DISTRICT
Certifications of Interim Financial Reports

<u>Fiscal Year</u>	<u>First Interim</u>	<u>Second Interim</u>
2018-19	Positive	Positive
2019-20	Positive	Positive
2020-21	Positive	Positive
2021-22	Positive	Positive
2022-23	Positive	Positive
2023-24	Positive	[Positive ⁽¹⁾]

⁽¹⁾ Self-certified

Comparative Financial Statements

The following table sets forth the District's audited General Fund balance sheet data for fiscal years 2018-19 through 2022-23.

CAMBRIAN SCHOOL DISTRICT General Fund Balance Sheet

	2018-19 Audited	2019-20 Audited	2020-21 Audited	2021-22 Audited	2022-23 Audited
Assets					
Cash and Investments	\$5,805,428	\$4,869,039	\$5,424,766	\$9,765,168	\$11,681,584
Receivables	1,262,449	2,107,028	7,423,862	897,828	1,807,137
Prepaid Expenditures	198,941	385	4,245	0	32,108
Due from Other Funds	0	2,508	0	75,915	368,076
Total Assets	\$7,266,818	\$6,978,960	\$12,852,873	\$10,738,911	\$13,888,905
Liabilities and Fund Balances					
Accounts Payable	\$763,889	\$1,046,620	\$1,013,732	\$1,963,205	\$2,014,976
Due to Other Funds	0	0	00-	223,077	201,099
Deferred /Unearned Revenue	9,250	0	2,327,054	591,464	783,586
Total Liabilities	\$773,139	\$1,046,620	\$3,340,786	\$2,777,746	\$2,999,661
Fund Balances					
Nonspendable	\$200,341	\$1,785	\$5,645	\$1,400	\$33,508
Restricted	1,419,363	959,843	2,776,850	1,946,021	4,781,215
Assigned	3,782,783	3,778,133	0	0	0
Unassigned	1,091,192	1,192,579	6,729,592	6,013,744	6,074,521
Total Fund Balances	\$6,493,679	\$5,932,340	\$9,512,087	\$7,961,165	\$10,889,244
Total Liabilities and Fund Balances	\$7,266,818	\$6,978,960	\$12,852,873	\$10,738,911	\$13,888,905

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The following table sets forth the District's audited General Fund activity for fiscal years 2019-20 through 2022-23, and budgeted activity for fiscal year 2023-24 as of the Second Interim Report.

CAMBRIAN SCHOOL DISTRICT
General Fund Activity for
Fiscal Years 2019-20 through 2022-23 (Audited) and Fiscal Year 2023-24 (Second Interim Report)

	2019-20 Audited	2020-21 Audited	2021-22 Audited	2022-23 Audited	2023-24 Second Interim
Beginning Balance, GAAP Basis	\$6,493,679	\$5,932,340	\$9,512,087	\$7,961,165	\$11,022,438
Audit Adjustment	n/a	n/a	(897,296) ⁽¹⁾	(102,686) ⁽²⁾	n/a
Adjusted Beginning Balance	\$6,493,679	\$5,932,340	\$8,614,791	\$7,858,479	\$11,022,438
Revenues					
Local Control Funding Formula	\$30,628,986	\$30,701,099	\$30,148,163	\$31,151,836	\$34,571,421
Federal Revenues	995,999	2,665,759	1,012,864	1,580,709	1,449,266
Other State Revenues	3,885,961	6,058,260	4,693,570	10,241,939	4,571,206
Other Local Revenues	3,545,564	3,445,281	4,786,110	6,521,465	6,331,033
Total Revenues	\$39,056,510	\$42,870,399	\$40,640,707	\$49,495,949	\$46,922,926
Expenditures					
Certificated Salaries	\$17,903,781	\$18,121,739	\$17,986,239	\$19,386,225	\$21,909,569
Classified Salaries	4,669,937	5,236,072	5,650,558	7,015,943	7,851,466
Employee Benefits	9,691,690	9,268,997	10,130,729	10,848,761	11,926,425
Books and Supplies	1,428,631	1,213,652	1,137,077	2,206,728	4,470,904
Services and Other Operating Exp.	6,229,490	5,551,627	6,351,225	7,384,431	7,639,017
Capital Outlay	0	0	0	163,956	60,000
Other Outgo	0	0	0	(54,582)	(49,501)
Debt Service	0	70,106	38,505	0	0
Total Expenditures	\$39,923,529	\$39,462,193	\$41,294,333	\$46,951,462	\$53,807,881
Other Financing Sources	\$305,680	\$171,541	\$0	\$486,278	\$341,541
Net Increase (Decrease)	(\$561,339)	\$3,579,747	(\$653,626)	\$3,030,765	(\$6,543,414)
Ending Balance	\$5,932,340	\$9,512,087	\$7,961,165	\$10,889,244	\$4,479,024
Audit Adjustment	n/a	n/a	n/a	n/a	n/a
Ending Balance, GAAP Basis	\$5,932,340	\$9,512,087	\$7,961,165	\$10,889,244	\$4,479,024

⁽¹⁾ Beginning net position and fund balance was decreased to account for receivables from prior periods.

⁽²⁾ Beginning net position and fund balance was decreased to account for deferrals and receivables from prior periods.

Figures may not total due to rounding.

The 2023-24 Second Interim Report was approved by the Board on March 21, 2024.

Impacts of COVID-19

Following the outbreak of COVID-19, in March 2020, governments around the world from the national to local levels, including the State and the Counties, implemented various measures to limit the spread of the virus. Such measures included temporary closings of businesses, schools, and other non-essential entities, restrictions on large gatherings, and requirements to wear masks. As a result of the global outbreak of COVID-19, health and safety measures, and the general uncertainty about the disease, financial markets experienced significant volatility and supply chains were severely disrupted. In response to these economic disruptions both the federal government and the State government took action to make various funding sources available to medical facilities, businesses, and especially LEAs.

In December of 2020, the first vaccine for COVID-19 was authorized for emergency use in the United States. By the end of February 2023, the Governor terminated the COVID-19 State of Emergency. The following May 2023, the World Health Organization stated that COVID-19 was no longer a health emergency. Although COVID-19 has not been eradicated, restrictions on businesses and schools have been lifted, and other health and safety measures have been modified or removed. Over time, as more people have become vaccinated or were infected, COVID-19 infection rates and deaths have declined. As a result, experts believe COVID-19 is transitioning to an endemic stage.

The District remained closed for the remainder of the 2019-20 school year in accordance with guidance from the Santa Clara County Office of Education and the Santa Clara County Public Health Department and the Governor, and implemented distance learning for all students. Instruction for this 2023-2024 school year is in person. To maintain healthy staff and students, and to slow the spread of COVID-19, the District continues to follow the California Department of Health guidance.

The District cannot make any representation whether COVID-19, including its variants, may spread further within California (notwithstanding the general availability of vaccines and booster shots to fight the disease), or that additional limits may be placed on businesses and citizens by the local, State, and federal governments. Further, due to its evolving nature, the District cannot predict the extent or duration of COVID-19 or what impact this outbreak, and responses by federal, State or local authorities thereto may have on assessed value of real property within the District or the District's financial condition and operations. The economic consequences of the COVID-19 pandemic could have a material impact on the State's financial position and budget, and as a result the District could see a corresponding decline in revenues from the State and local property taxes. Notwithstanding the adverse impacts that this outbreak may have on the financial condition of the State and the District, the Bonds described herein are voter-approved general obligations payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, and are *not* payable from the general fund of the District.

Cap on School District Reserves

State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's average daily attendance. SB 858, adopted in June 2014, modified the law as it relates to ending fund balances for school districts. First, beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher (depending on whether a school district's average daily attendance exceeds 400,000 units) than the State's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. Second, in a year immediately following a deposit into the Public School System Stabilization Account (Proposition 98 Rainy Day Fund) established in the State General Fund (see "Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Propositions 98 and 111 – Minimum Funding Guarantee," below), a school district's adopted or revised budget may not contain an ending fund

balance higher than two to three times higher (depending on whether a school district's average daily attendance exceeds 400,000 units) than the State's minimum recommended reserve for economic uncertainties. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period.

The requirements relating to ending fund balances for school districts established by SB 858 were further modified by SB 751, adopted in October 2017. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total of General Fund revenues appropriated for school district and allocated local tax proceeds for that fiscal year, a school district budget that is adopted or revised must not contain a combined assigned or unassigned ending General Fund balance that is in excess of 10% of such funds. Similar to SB 858, under certain circumstances, a county superintendent may grant an exemption from the ending fund balance requirements of SB 751. SB 751 does not apply to basic aid school districts (i.e., funded only with local property taxes and no general purpose state aid), and small school districts (average daily attendance of fewer than 2,501 students).

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The Public School System Stabilization Account appears to be intended to provide a substitute for local reserves in the event of a future economic downturn. However, there is no linkage between the sizes of the State and local reserves. The District is unable to predict what the effect on its budget will be following implementation of these rules.

The 2023-24 State Budget includes fiscal years 2021-22, 2022-23, and 2023-24 payments of approximately \$4.8 billion, \$1.8 billion, and \$902 million, respectively, into the Public School System Stabilization Account, for a balance of more than \$10.8 billion at the end of fiscal year 2023-24. (See "2023-24 Adopted State Budget.") In accordance with SB 751, the balance of \$9.9 billion in fiscal year 2022-23 triggered school district reserve caps beginning in fiscal year 2023-24.

Sources of Funding for Operations

Funding for the District's operations is provided by a mix of (1) local property taxes; (2) State apportionments of general purpose and restricted purpose funds; (3) federal government grants; (4) development impact fees; (5) lottery funds; and (6) miscellaneous other revenues.

Property Taxes. Under current law, local agencies are not permitted to levy directly any property tax (except *ad valorem* taxes to pay debt service on voter-approved bonds and voter-approved non-*ad valorem* property taxes for limited purposes). Instead, general purpose *ad valorem* property taxes are automatically levied by each county at the maximum 1% property tax rate permitted by Proposition 13, and property tax revenue is distributed by the county among all the local government taxing agencies (including school districts) within the county according to a statutory formula. See "District Financial Information – Property Taxes," below.

State Funding. Local Control Funding Formula. Beginning in Fiscal Year 2013-14, the bulk of apportionments of State funding to school districts for general purposes have been allocated pursuant to a system referred to as the "Local Control Funding Formula" ("LCFF"). Under LCFF, revenue limits and most State-mandated categorical programs were eliminated. Instead, a locally-controlled system has been implemented whereby school districts receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. Now, apportionment to school districts are made on the basis of uniform, target base rates per unit of average daily attendance for each of four grade spans, subject to several adjustments, as described below. The annual

State general purpose apportionment received by a school district represents the difference between such district’s total general purpose allocation and its share of the general purpose local property tax distributed to it by the county. Basic aid school districts, which have property tax revenues which exceed their entitlement under the LCFF, are entitled to keep such excess local property tax revenues.

The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant funding by grade span for fiscal year 2023-24 is set forth in the table below. The base rates for grades K-3 and 9-12 are increased (see table below), to cover the costs of class size reduction in the early grades and to support college and career readiness programs in high schools. These target base rates are to be updated each year for cost-of-living adjustments (“COLAs”).

Grade Span	2022-23 Base Grant per ADA	2023-24 COLA (8.22%)	Grade Span Adjustments ⁽¹⁾	2023-24 Base Grant/ Adjusted Base Grant per ADA
TK/K-3	\$9,166	\$753	\$1,032	\$10,951
4-6	9,304	765	n/a	10,069
7-8	9,580	787	n/a	10,367
9-12	11,102	913	312	12,327

(1) K-3 adjustment is 10.4% for class size reduction; 9-12 adjustment is 2.6% for career technical education.

Source: California Department of Education – Funding Rates and Information, Fiscal Year 2023-24

- The LCFF provides a supplemental grant to school districts based on the three-year average of enrollment of students of limited English proficiency (“EL”), students from low-income families that are eligible for free or reduced priced meals (“FRPM”), and foster youth. Students who are in more than one category are counted only once. Under the formula, each qualifying student generates an additional 20% of the student’s adjusted grade-span base grant multiplied by the unduplicated percentage of EL, FRPM, and foster youth pupils.

- School districts whose qualifying student populations (i.e., EL, FRPM, and foster youth pupils) exceed 55% of their total enrollment will receive an additional “concentration” grant equal to 65% of the applicable adjusted base rate multiplied by the percentage of such district’s qualifying student enrollment above the 55% threshold.

- Funds for two existing categorical programs — the Targeted Instructional Improvement Block Grant and the Home-to-School Transportation program — are treated as add-ons to the LCFF. Districts that received funding from these programs in 2012–13 will continue to receive that same amount of funding in addition to what the LCFF provides each year.

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

- Commencing with fiscal year 2022-23, school districts will receive an add-on for costs related to implement a ratio of one adult for every 12 pupils in transitional Kindergarten classrooms.

The LCFF was implemented for fiscal year 2013-14 and was phased in over a multi-year period. School districts received annual funding increases based on the difference between their respective prior-year funding level and the target LCFF allocation at full implementation. In each year, every school district

had the same proportion of its gap closed. The 2018-19 State Budget fully funded the LCFF gap for school districts two years earlier than originally scheduled, allowing the school districts to reach their LCFF target level.

The LCFF includes a “hold harmless” provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or COLA. The LCFF also includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts are required to develop and adopt local control and accountability plans (“LCAP”), which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the school districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 State budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

To alleviate the impact of the COVID-19 pandemic, SB117, approved by the Governor on March 17, 2020, provided that, for school districts that complied with State requirements, only attendance during full school months from July 1, 2019, to and including February 29, 2020, was reported for apportionment purposes for fiscal year 2019-20. The State budget for fiscal year 2020-21 provided that ADA for fiscal year 2020-21 was based on the 2019-20 year. While the State budget for fiscal year 2021-22 did not include an extension of the ADA hold-harmless provision, school districts with enrollment declines in fiscal year 2021-22 retained the ability to receive their apportionment based on the higher of their fiscal year 2019-20 or fiscal year 2020-21 ADA as provided under LCFF. Additionally, the 2022-23 State budget amended the LCFF calculation to consider the greater of a school district’s current year, prior year, or the average of three prior years’ ADA. This formula change helps school districts with significant declining enrollment better serve remaining students.

The District is providing in-person instruction for the 2023-24 school year. The District is unable to predict whether new proposals will be enacted, especially with respect to independent study, or what form they may take, or whether any new requirements related to reducing the spread of COVID-19 or other infectious diseases will materially impact the District’s finances or operations.

The District operates four fiscally dependent charter schools. See “Charter Schools” below.

The tables on the next page show a breakdown of the District’s fiscal years 2019-20 through 2023-2024 ADA by grade span, total enrollment, and the percentage of students classified as English learners, low-income, of foster youth (“EL/LI”). The first table shows the District ADA and enrollment excluding the charter schools, and the second table shows the same information for the dependent District-operated charter schools.

CAMBRIAN SCHOOL DISTRICT
Average Daily Attendance by Grade Span, Total Enrollment, and EL/LI Enrollment⁽¹⁾
Fiscal Years 2019-20 through 2023-24

Fiscal Year	Average Daily Attendance ⁽²⁾			Enrollment		
	(By Grade Span)			Total District	Total District	% EL/LI ⁽³⁾
	TK/K-3	4-6	7-8			
2019-20	500.62	314.93	120.55	936.10	950	18.18%
2020-21	--	--	--	--	841	17.06
2021-22	483.20	310.39	114.25	907.84	942	16.52
2022-23	506.65	311.74	116.26	934.65	973	17.66
2023-24 ⁽⁴⁾	527.03	320.30	117.55	964.88	996	18.75

⁽¹⁾ Excluding District-operated charter schools.

⁽²⁾ ADA is 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. For fiscal year 2019-20, due to the outbreak of COVID-19, P-2 ADA only reflects full school months from July 1, 2019 through February 29, 2020. The State budget for fiscal year 2020-21 provided that ADA for fiscal year 2020-21 will be based on the 2019-20 year.

⁽³⁾ The percentage is calculated on the basis of the average of the current fiscal year and the prior two fiscal years.

⁽⁴⁾ As of 2023-24 Second Interim Report.

Source: Cambrian School District

CAMBRIAN SCHOOL DISTRICT
District-Operated Charter Schools
Average Daily Attendance by Grade Span, Total Enrollment, and EL/LI Enrollment
Fiscal Years 2019-20 through 2023-24

Fiscal Year	Average Daily Attendance ⁽¹⁾			Enrollment		
	(By Grade Span)			Total District	Total District	% EL/LI ⁽²⁾
	TK/K-3	4-6	7-8			
2019-20	960.85	758.95	613.19	2,332.99	2,408	27.02%
2020-21	--	--	--	--	2,326	26.33
2021-22	694.89	659.82	575.85	1,930.56	2,040	24.57
2022-23	658.74	660.58	519.63	1,838.95	1,943	25.90
2023-24 ⁽³⁾	689.50	641.23	589.32	1,920.05	2,018	29.93

⁽¹⁾ ADA is 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. For fiscal year 2019-20, due to the outbreak of COVID-19, P-2 ADA only reflects full school months from July 1, 2019 through February 29, 2020. The State budget for fiscal year 2020-21 provided that ADA for fiscal year 2020-21 will be based on the 2019-20 year.

⁽²⁾ The percentage is calculated on the basis of the average of the current fiscal year and the prior two fiscal years.

⁽³⁾ As of 2023-24 Second Interim Report.

Source: Cambrian School District

Restricted Purpose Revenue. Other State revenues allocated to school districts are restricted by the Legislature to particular uses (categorical programs). The LCFF eliminates approximately three-quarters of categorical programs. Under the new system, several categorical programs remain outside the LCFF, including special education, after school safety and education programs, nutrition, and State preschool.

Propositions 30 and 55. School districts in California have faced numerous challenges over the past several years due to financial difficulties at the State level. This has resulted in budget cuts and payment deferrals to school districts. On November 6, 2012, the Governor placed a measure on the ballot known as “Proposition 30” or the “November Tax Initiative,” which asked California voters to increase State sales tax and raise income taxes on certain high income individuals, as well as taxes on gross receipts of retailers and certain excise taxes, in order to generate additional revenues at the State level. The moneys raised were

applied to address State budget shortfalls and help fund educational programs. In particular, revenues generated pursuant to Proposition 30 increased school and community college district funding and paid expenses owed from previous years. The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends through 2030 the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30. The tax revenues allocated to education as part of the minimum guarantee are deposited into the Education Protection Account (“EPA”), recalculated and distributed quarterly to K-14 school districts (89 percent to K-12 school districts and 11 percent to community college districts) as a continuing appropriation not subject to budget adoption. The funds are distributed in the same manner as existing unrestricted per-student funding. The Proposition 55 tax revenue is included in the Proposition 98 calculation, raising the guarantee by billions each year. Proposition 55 did not extend the sales tax rate increase enacted under Proposition 30.

Lottery. Other State revenues include the California State Lottery (the “Lottery”), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research.

Federal Sources. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Education for Economic Security, and the free and reduced lunch program.

Local Sources. In addition to property taxes, the District may receive additional local revenues from items such as redevelopment agency property tax revenues not subject to the LCFF calculation (approximately \$255,000 in fiscal year 2023-24), leases and rentals, interest earnings, transportation fees, interagency services, and other local sources. Included in other local revenues are proceeds of a parcel tax within the District (see “Parcel Tax” below) as well as leases of District property (budgeted at approximately \$1.2 million for fiscal year 2023-24).

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the “Charter School Law”). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education, or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

The District has certain fiscal oversight and other responsibilities with respect to both independent and dependent charter schools established within its boundaries. Dependent charter schools, such as those charter schools operating within the District, receive their funding from the District, and their funding would be reflected in the District’s audited financial statements.

The District operates four fiscally dependent charter schools: Fammatre Elementary School serving grades transitional kindergarten through fifth with enrollment of 457 students in fiscal year 2023-24, Farnham Charter School serving grades transitional kindergarten through fifth with enrollment of 353 students in fiscal year 2023-24, Sartorette Elementary School serving grades transitional kindergarten through fifth with enrollment of 287 students in fiscal year 2023-24, and Price Charter Middle School serving grades sixth through eighth with enrollment of 921 students in fiscal year 2023-24. The charter schools continue to attract students from surrounding school districts. The financial activities of the four dependent charter schools are included in the District's General Fund reporting. See "Sources of Funding for Operations" above for the charter schools' ADA.

There are no fiscally independent charter schools operating with the boundaries of the District.

Charter schools can adversely affect school district funding, either by reducing funded enrollment at the school district or, for community-funded districts, by increasing the in-lieu property tax transfer. However, certain per-pupil expenditures of a school district also decrease based upon the number of students enrolled in charter schools. The District can make no representations regarding how many District students will transfer to independent charter schools in the future or back to the District from independent charter schools, and the corresponding financial impact on the District. Pursuant to Proposition 39, school districts are required to provide facilities reasonably equivalent to those provided to regular district students for charter schools having a projected average daily attendance of at least 80 or more students from that school district.

Parcel Tax

A school district has authority to levy a qualified special tax upon approval by two-thirds of the votes cast on a proposal pursuant to Section 4 of Article XIII A of the State Constitution and Government Code Section 50075 *et seq.*

In March 2001, voters within the District authorized a parcel tax ("Measure A") of up to \$63 per parcel effective July 1, 2001, with certain exemptions, adjusted annually by changes in the consumer price index and without an expiration date. The tax rate for Measure A for fiscal year 2023-24 is \$112.84. Measure A parcel tax revenues are used to improve children's academic performance, reduce class size, improve teaching quality, and expand art, science, music, technology, and physical education within the District. Measure A parcel tax revenues are estimated to be approximately \$985,206 in fiscal year 2023-24.

In June 2018, voters within the District authorized a second parcel tax ("Measure H") of \$84 per parcel, effective July 1, 2018, with a provision to continue the second parcel tax after the initial eight years upon the affirmative advisory vote of voters of the District. The tax rate for Measure H for fiscal year 2023-24 is \$94.24. Measure H parcel tax revenues are used to provide District students with stable funding for instruction in math, science, reading, engineering, technology, and arts; retain highly qualified teachers; and maintain class sizes. Measure H parcel tax revenues are estimated to be approximately \$822,809 in fiscal year 2023-24.

Short-Term Borrowings

The District has in the past issued short-term tax and revenue anticipation notes. Proceeds from the issuance of notes by the District have been used to reduce inter-fund dependency and to provide the District with greater overall efficiency in the management of its funds.

The District has no short-term debt outstanding, and there are currently no plans to issue any short-term debt.

Long-Term Debt

A schedule of changes in long-term debt of the District, other than OPEB and pension, for the year ended June 30, 2023 is shown below:

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Due in One Year
General Obligation Bonds	\$67,020,202	\$43,862,374	\$7,955,000	\$102,927,576	\$3,615,000
Unamortized debt premiums	2,255,354	1,757,326	275,961	3,736,719	477,688
Total	\$69,275,556	\$45,619,700	\$8,230,961	\$106,664,295	\$4,092,688

Source: Cambrian School District, Annual Financial Report, June 30, 2023

General Obligation Bonds

2002 Authorization. The District received authorization at an election held on November 5, 2002 (the “2002 Authorization”) to issue \$20,975,000 of general obligation bonds. On July 9, 2003, the County issued on behalf of the District \$15,524,912.20 principal amount of Cambrian School District (Santa Clara County, California) Election of 2002 General Obligation Bonds, Series A (the “Series A Bonds”). On April 27, 2005, the District issued \$5,450,031.80 principal amount of Cambrian School District (Santa Clara County, California) Election of 2002 General Obligation Bonds, Series B (the “Series B Bonds”). On September 17, 2013, the District issued its Cambrian School District (Santa Clara County, California) 2013 General Obligation Refunding Bonds (the “2013 Refunding Bonds”) in the principal amount of \$11,510,000 to refinance a portion of the Series A Bonds. On September 23, 2014, the District issued \$1,415,000 principal amount of Cambrian School District (Santa Clara County, California) 2014 General Obligation Refunding Bonds (the “2014 Refunding Bonds”) to refinance a portion of the Series B Bonds. On August 30, 2022, the District issued \$4,620,000 principal amount of Cambrian School District (Santa Clara County, California) 2022 General Obligation Refunding Bonds (the “2022 Refunding Bonds”) to redeem the outstanding 2013 Refunding Bonds.

2014 Authorization. The District received authorization at an election held on June 3, 2014 (the “2014 Authorization”) to issue \$39,000,000 of general obligation bonds. On September 23, 2014, the District issued \$39,000,000 principal amount of Cambrian School District (Santa Clara County, California) General Obligation Bonds, Election of 2014, Series 2014 (the “2014 Bonds”).

2020 Authorization. The District received authorization at an election held on November 3, 2020 (the “2020 Authorization”) to issue \$88,000,000 of general obligation bonds. On April 8, 2021, the District issued the first series of bonds under the 2020 Authorization, the Cambrian School District (Santa Clara County, California) General Obligation Bonds Election of 2020, Series 2021 (the “2021 Bonds”), in the aggregate principal amount of \$15,000,000. On August 30, 2022, the District issued a second series under the 2020 Authorization, the Cambrian School District (Santa Clara County, California) General Obligation Bonds, Election of 2020, Series 2022 (the “2022 Bonds”) in the aggregate principal amount of \$38,680,000. The District has \$34,320,000 of authorized but unissued bonds remaining under the 2020 Authorization.

The following table summarizes the District’s outstanding general obligation bond indebtedness as of March 1, 2024.

Authorization	Issue	Principal Amount Issued	Final Maturity	Outstanding as of March 1, 2024 ⁽¹⁾	Debt Service in Fiscal Year 2023-24
2002 Authorization	Series A	\$15,524,912	July 1, 2028	\$1,237,976	\$0
2002 Authorization	Series B	5,450,032	July 1, 2035	9,061,547	0
Refunding	2014 Refunding	1,415,000	July 1, 2025	385,000	193,500
2014 Authorization	2014 Bonds	39,000,000	July 1, 2039	34,920,000	2,020,888
2020 Authorization	2021 Bonds	15,000,000	August 1, 2050	11,350,000	2,322,444
2020 Authorization	2022 Bonds	38,680,000	August 1, 2052	38,430,000	1,942,900
Refunding	2022 Refunding	4,620,000	August 1, 2025	3,960,000	874,500
				\$99,344,823	\$7,354,231

⁽¹⁾ Includes accreted interest of capital appreciation bonds for the Series A Bonds and the Series B Bonds.

The District has not defaulted on the payment of principal of or interest on any of its long-term indebtedness in the past ten years.

Capitalized Lease Obligation

The District has made use of various capital lease arrangements under agreements that provide for title of items and equipment being leased to pass to the District upon expiration of the lease period. As of June 30, 2023, the District had no capital lease arrangements outstanding, and there are currently no plans to enter into any new capital lease arrangements.

Property Taxes

General. See “Security and Sources of Payment of the Bonds” above for a general description of how property is assessed and how *ad valorem* property taxes are levied and collected.

Alternative Method of Tax Apportionment –Teeter Plan. The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, “to accomplish a simplification of the tax levying and tax apportioning process and an increased flexibility in the use of available cash resources.” This alternative method is used for distribution of the District’s share of general purpose *ad valorem* property tax revenues. The Teeter Plan currently applies to the *ad valorem* property taxes levied to pay debt service on the Bonds.

The County is responsible for determining the amount of the *ad valorem* property tax levy on each parcel in the District that is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund’s credit. Such monies may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected.

Under the Teeter Plan, the County establishes the Tax Loss Reserve Fund. The County determines which monies in the County treasury (including those credited to the Tax Loss Reserve Fund) shall be available to be drawn on to the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax defaulted property, Teeter Plan monies are distributed to the apportioned tax resources accounts. The Tax Loss Reserve Fund is used exclusively to cover lost income occurring as a result of tax defaulted property. Monies in this fund are derived from several sources. While amounts collected as costs

are distributed to the County's general fund, delinquent penalty collections are distributed to the Tax Loss Reserve Fund.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. In the event that the Teeter Plan were terminated, receipt of revenue of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control or the control of the County, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies.

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CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an ad valorem property tax levied by the County for the payment thereof. (See “Security and Sources of Payment for the Bonds.”) 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 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 District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District’s voters in compliance with Article XIII A and all applicable laws.

Article XIII A of the State Constitution

Basic Property Tax Levy. Article XIII A of the State Constitution limits the amount of any *ad valorem* property tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness approved by two-thirds of the voters on or after July 1, 1978, for the acquisition or improvement of real property, and (iii) bonded indebtedness approved by 55% of the voters of 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. As described under “The Bonds – Authority for Issuance,” the District received authorization by the requisite percent of voters to issue the Bonds.

Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A permits reduction of the full cash value base in the event of a decline in property value caused by damage, destruction, or other factors. The full cash value base is not increased upon reconstruction of property damaged or destroyed in a disaster, if the fair market value of the property as reconstructed is comparable to its fair market value before the disaster. If the full cash value has been reduced owing to a decline in market value, the full cash value is restored to the full cash value base as quickly as the market price increases (without regard to the 2% limit on increases that otherwise applies).

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

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 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.

Article XIII B of the State Constitution

Under Article XIII B of the State Constitution, state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain monies that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys that are excluded from the definition of “appropriations subject to limitation,” such as appropriations for voter-approved debt service, appropriations required to comply with certain mandates of the courts or the federal government, and appropriations for qualified capital outlay projects (as defined by the Legislature).

The appropriations limit for each agency in each year is based on the agency’s limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted where applicable for transfer to or from another governmental entity of financial responsibility for providing services. With respect to school districts, “change in cost of living” is defined as the percentage change in California per capita income from the preceding year and “change in population” means the percentage change in average daily attendance for the preceding year.

The appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by an agency over such two-year period above the combined appropriations limit for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Under current statutory law, a school district that receives any proceeds of taxes in excess of the allowable limit need only notify the State Director of Finance and the District’s appropriations limit is increased and the State’s limit is correspondingly decreased by the amount of the excess.

Under Article XIII B, 50% of all revenues received by the State in a fiscal year and in the immediately following fiscal year in excess of the amount permitted to be appropriated by the State during that fiscal year and the immediately following fiscal year shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Article XIII C and Article XIII D of the State Constitution

Articles XIII C and XIII D of the State Constitution, adopted by Proposition 218 on November 5, 1996, impose certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property related fees and charges. The District does not impose any such taxes, assessments, fees or charges; and, with the exception of *ad valorem* property taxes levied and collected by the County under Article XIII A of the State Constitution and allocated to the District, no such taxes, assessments, fees or charges are imposed on behalf of the District. Accordingly, while the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Article XIII C also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution’s prohibition against state or local laws “impairing the obligation of contracts.” The District’s general obligation bonds represent a contract between the District and the bondholder secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once issued, the taxes needed to pay debt service on general obligation bonds would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIII C shall not be construed to mean that any owner or

beneficial owner of a municipal security assumes the risk of, or consents to, any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

The interpretation and application of Proposition 218 and the U.S. Constitution's contracts clause will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Propositions 98 and 111 -- Minimum Funding Guarantee

Proposition 98, a constitutional and statutory amendment adopted by California voters in 1988 and amended by Proposition 111 in 1990, guarantees a minimum level of funding for public education from kindergarten through community college (K-14).

Proposition 98, as amended by Proposition 111, guarantees a level of funding based on the greater of two amounts determined under three different methods of calculation. The first amount is based on a percentage of General Fund revenues. This amount is defined under "Test 1" as the amount produced by applying the same percentage of General Fund revenues appropriated to K-14 education in 1986-87, or about 40%. The second amount is determined under one of two methods, "Test 2" or "Test 3," the choice of which is determined based on the relative growth of per capita income and General Fund revenues.

In years of high or normal growth of General Fund revenues, Test 2 applies. Test 2 is designed to maintain prior-year service levels. The amount determined under Test 2 is the amount required to ensure that K-14 schools receive from State funds and local tax revenues the same amount received in the prior year, adjusted for changes in enrollment and for increases in per capita personal income. Test 3 is operative in years in which General Fund revenue growth per capita is more than 0.5% below growth in per capita personal income. The amount determined under Test 3 is the prior-year total level of funding from State and local sources, adjusted for enrollment growth and for growth in General Fund revenues per capita, plus 0.5% of the prior year level. If Test 3 is used in any year, the difference between the amount determined under Test 3 and Test 2 will become a credit (called the "maintenance factor") to be paid to K-14 schools in future years when State General Fund growth exceeds personal income growth.

The State's estimate of the total guaranteed amount varies through the stages of the annual budgeting process, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as various factors change. The guaranteed amount will increase as enrollment and per capita personal income grow. If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State General Fund revenues are growing faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount.

In the last few decades, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. In 1992-93, 1993-94, 2004-05, and 2005-06 the State required counties, cities, and special districts to shift property tax revenues to school districts, thereby relieving the State General Fund of some of the burden of the Proposition 98 guarantee. Proposition 1A, adopted by the voters in November 2004, prohibits the State from shifting property taxes from other local governments to school or community college districts without a two-thirds vote of both houses of the State Legislature. Proposition 22, approved by the voters in November 2010, eliminated the State's authority to shift property taxes temporarily during a severe financial hardship of the State that had been permitted by Proposition 1A. Legislation enacted in June 2011 (and upheld by the California Supreme Court in

December 2011) dissolved every redevelopment agency in the State effective February 1, 2012, which may make more property tax revenues available to school districts.

The State has also sought to avoid or delay paying settle-up amounts when State revenues have lagged. The State has also sought to avoid increases in the base guaranteed amount through several devices: by treating any excess appropriations as advances (or loans) against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily or permanently deferring year-end apportionments of Proposition 98 funds from one fiscal year to the next to reduce the ending Fiscal Year's base; by suspending Proposition 98, as the State did in 2010-11; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The California Teachers' Association, the State Superintendent and others sued the State or the Governor in 1995, 2005, 2009, and 2011 to force them to fund the full settle-up amounts. While legislation adopted to implement the settlements of these suits requires the State to pay down the obligation in annual installments, the repayments have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

Proposition 2, approved at the November 4, 2014, statewide election, among other things, revises the operation of Proposition 98 in some years. The measure creates a new State budget stabilization fund known as the "Public School System Stabilization Account." In years where capital gains tax revenues exceed 8% of total General Fund revenues, if a number of conditions are satisfied (including that Test 1 is operative, all maintenance factor obligations have been satisfied, and the Proposition 98 funding level is higher than the previous year), that part of the "excess" capital gains tax revenues accruing to the Proposition 98 guarantee, instead of being appropriated, would be deposited in the Public School System Stabilization Account, provided that the amount spent on schools and community colleges grows along with the number of students and the cost of living. The State would spend money out of the reserve in order to maintain spending on schools and community colleges in budgetary years in which such spending would otherwise decline from the prior year's level (adjusted for student population and cost of living). Proposition 2 thus changes when the State would otherwise be required to spend money on schools and community colleges but not the total amount of State spending for schools and community colleges over the long run. (See "Cap on School District Reserves.")

Proposition 39

On November 7, 2000, State voters approved an amendment (commonly known as Proposition 39) to the State Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another 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-14 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. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities;

(2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that 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 a high school or elementary 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. See “The District – General and Financial Information – Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Article XIII A of the State Constitution” herein.

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. 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 expected 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 expected to be an increase in the State’s general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, as of February 1, 2012, all redevelopment agencies in California were dissolved, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), 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 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 such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other “enforceable obligations” (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District makes no representations concerning the extent to which its property tax apportionments may be offset by the future receipt of pass-through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and the Propositions discussed in this Official Statement were each adopted as measures that qualified for the ballot under the State’s initiative process. From time-to-time, other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

As one example, on February 1, 2023, the California Secretary of State determined that a voter initiative, entitled “The Taxpayer Protection and Government Accountability Act” (“Initiative 1935”), is eligible for the November 2024 Statewide general election. However, whether Initiative 1935 can be certified as qualified for the ballot in the November 2024 Statewide election is now before the California Supreme Court. A decision is expected by no later than late June 2024 so that the ballots may be prepared for the November 2024 election. Were it ultimately adopted by a majority of voters in the Statewide general election, Initiative 1935 would amend the State Constitution to, among other things, expand the definition of taxes, impose heightened barriers for State and local governments to impose taxes and exempt fees, and potentially retroactively void certain taxes enacted or imposed after January 1, 2022, or exempt fees not imposed in accordance with its provisions.

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STATE BUDGET PROCESS

The State Constitution requires the Governor to propose a budget to the State Legislature no later than January 10 of each year and requires the Legislature to adopt a final budget no later than June 15. The latter deadline was frequently missed when passage of the budget required a two-thirds majority of each house of the Legislature. The State's voters approved an amendment to the State Constitution in November 2010 that lowered the vote requirement to a simple majority of each house of the State Legislature. The lower vote requirement also applies to the budget trailer bills that specifically appropriate funds. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of each house of the State Legislature is still required to override any veto by the Governor. School district budgets must be adopted by the district's governing board by July 1 and then revised within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget.

Possible Delays in Apportionments. If the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding may be treated differently. In 2002, a California Court of Appeal held in *White v. Davis* (also referred to as *Jarvis v. Connell*) that the State Controller cannot disburse State funds after the beginning of the fiscal year until the adoption of the budget bill or an emergency appropriation, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution, such as appropriations for salaries of elected State officers, or (iii) required by federal law, such as payments to State workers (but at no more than minimum wage). The court specifically held that pre-budget disbursements of Proposition 98 funding for school districts are invalid. In 2003, the California Supreme Court upheld the decision of the Court of Appeal. During the 2003-04 State budget impasse, the State Controller nonetheless treated revenue limit (*i.e.*, general purpose) apportionments to school districts as continuous legislative appropriations under statute. The State Controller did not disburse certain categorical and other funds to school districts until the 2003-04 Budget Act was enacted.

Additional Delays in Apportionments. During the Great Recession (2007-2009), the Legislature authorized intra-year and inter-year deferrals of certain payments otherwise payable at earlier dates in the fiscal year to K-12 schools. The use of this cash-flow management device by the Legislature required some school districts to increase the size or frequency of their tax and revenue note borrowings.

2023-24 Adopted State Budget

On June 27, 2023, the Governor signed Assembly Bill (AB) 102, memorializing the deal between the Governor and the Legislature. On July 10, 2023, the Governor signed the corresponding budget trailer bill, signing the 2023-24 State budget package (the "2023-24 State Budget") into law. Consistent with the Governor's proposed budget for fiscal year 2023-24 and May revision, the 2023-24 State Budget reflects slower revenue growth than predicted, driven by stock market challenges, continuing high inflation, rising interest rates, and job losses. Adding to uncertainties in preparing the 2023-24 State Budget, income tax filings at the federal and State levels were delayed until mid-October 2023 due to the unprecedented storms earlier in 2023. At the time the 2023-24 State Budget was finalized, it was projected that the State would receive approximately \$42 billion in personal and corporate income tax. It was unclear whether, or to what extent, further adjustments to the 2023-24 State Budget would be necessary if revenues were less than projections.

The 2023-24 State Budget additionally reflects a historic level of reserves of approximately \$37.8 billion. This includes \$22.3 billion in the Budget Stabilization Account ("BSA" or "Rainy Day Fund"), \$10.8 billion in the Public School System Stabilization Account, \$900 million in the Safety Net Reserves,

and \$3.8 billion in the Special Fund for Economic Uncertainties. Setting aside such reserves is the State’s approach to withstand revenue declines and future uncertainties, while maintaining fiscal discipline.

In order to address a projected \$31.7 billion shortfall while avoiding deep cuts to programs, the 2023-24 State Budget includes various approaches, including shifting \$9.3 billion in spending commitments from the General Fund to other funds, reducing General Fund spending by approximately \$8.1 billion, delaying spending of across multiple years, internal borrowing, and trigger reductions that would be restored in 2024 if there are sufficient revenues to do so.

Other general highlights of the 2023-24 State Budget are as follows:

Higher Education. The 2023-24 State Budget provides base budget increases of five percent each for the University of California and California State University systems.

Health Care. The 2023-24 State Budget maintains a commitment to increases to fund universal access to affordable health care.

Homelessness. The 2023-24 State Budget continues to fund one-time grants to cities and counties to address homelessness in their communities, and includes requirements for such municipalities to develop and submit regionally coordinated plans that outline the key actions each entity will undertake to collectively deploy their federal, state, and local resources to reduce homelessness.

Transit. The 2023-24 State Budget provides \$5.1 billion for public transit, including for zero-emission vehicle transit funding, along with new reporting and accountability requirements for transit agencies.

Climate. Over \$52 billion in multi-year spending to address climate issues is included in the 2023-24 State Budget. The Governor and the Legislature continue to discuss a potential climate bond ranging from \$6 billion to \$16 billion.

Public Safety. More than \$800 million continues to be committed to improve public safety including task forces to combat the spread of fentanyl and stopping retail theft.

Infrastructure. The 2023-24 State Budget includes streamlining proposals to allow the State to secure federal infrastructure funds for construction of transportation, clean water, and clean energy projects, resulting in as much as \$180 billion in infrastructure project over the next ten years.

With respect to funding for K-12 education, the 2023-24 State Budget includes total funding of \$129.2 billion (\$79.5 billion General Fund and \$49.7 billion other funds). Of this funding, the Proposition 98 minimum guarantee reflects \$108.3 billion in fiscal year 2023-24. This amount is \$2.1 billion less than the Legislature adopted last year for the current fiscal year.

Additional education-related highlights from the 2023-24 State Budget include the following:

- Proposition 98 Rainy Day Fund. As discussed above, following deposits into the Public School System Stabilization Account, the balance at the end of fiscal year 2023-24 will be \$10.8 billion. The balance of \$9.9 billion in 2022-23 triggers school district reserve caps beginning in 2023-24. (See “Cap on School District Reserves.”)
- Local Control Funding Formula. The 2023-24 State Budget includes a COLA of 8.22 percent, the largest COLA in LCFF history. Taking into account the COLA adjustment

plus adjustments for declining enrollment, discretionary funds available to LEAs increases by approximately \$3.4 billion compared to the prior year.

- Equity Multiplier. The 2023-24 State Budget provides \$300 million ongoing Proposition 98 General Fund to establish an Equity Multiplier as an add-on to the LCFF. The purpose of the Equity Multiplier is to accelerate learning gains and close opportunity gaps of historically underserved pupils attending high-poverty schools.
- Literacy. One time Proposition 98 General Fund of \$250 million is set aside to augment an existing grant program to fund high-poverty schools to train and hire literacy coaches and reading specialists. The 2023-24 State Budget additionally requires LEAs to screen student in kindergarten through second grade for risk of reading difficulties by the 2025-26 school year.
- Teacher Workforce. The 2023-24 State Budget makes several statutory changes to reduce barriers for those interested in entering the teaching profession. For example, the 2023-24 State Budget increases the Teacher and School Counselor Residency Grant per-candidate allocation and to require a minimum stipend. Additionally, the 2023-24 State Budget will allow teachers who were unable to finish their credential due to the COVID-19 pandemic to meet this requirement through completion of a Commission on Teacher Credentialing (the “Commission”) approved program or by two years of satisfactory teacher evaluations. The 2023-24 State Budget also authorizes the Commission to issue a comparable State credential to any U.S. military servicemember or their spouse who possesses a valid out-of-state teaching or services credential to teach in the State when such candidate is related to the State by military orders.
- Transitional Kindergarten. The 2023-24 State Budget reflects \$357 million and \$597 million ongoing Proposition 98 General Fund to support the first (2022-23) and second (2023-24) years, respectively, of expanded eligibility for transitional kindergarten (“TK”). There is additional funding in the amounts of \$283 million and \$165 million to support the first and second years, respectively, of adding additional certificated or classified staff to every TK class.
- Arts, Music, and Instructional Materials Discretionary Block Grant. The 2023-24 State Budget decreases one-time Proposition 98 General Fund for such grant to \$3.3 billion.

2024-25 Proposed State Budget

On January 10, 2024, the Governor released the proposed State budget for fiscal year 2024-25 (the “2024-25 Proposed Budget”). As described above, the 2023-24 State Budget was enacted in June 2023, before the majority of the State’s 2022-23 tax collections were received due to the tax filings being extended until October 2023. Under a typical timeframe, the Governor is able to make downward adjustments to the proposed state budget during the May Revision, when tax receipts are known.

The delay in collecting 2022-23 income tax combined with a decline in the stock market that drove down revenues in 2022, has resulted in a budget shortfall of \$37.9 billion, as projected by the Governor for the 2024-25 Proposed Budget. Now the Governor and the Legislature face the challenging task of solving for last year’s shortfall while adjusting spending to ensure continued fiscal stability in future years.

To address the budget shortfall, the Governor proposes the following approaches:

- Draw on Reserves. The 2024-25 Proposed Budget includes a total withdrawal of \$12.2 billion from the BSA and a \$900 million withdrawal from the Safety Net Reserve.
- Spending Reductions. Significant spending reductions, totaling approximately \$8.5 billion, are proposed, including for climate change programs, housing programs, the School Facilities Aid Program, and the Student Housing Revolving Loan Fund Program.
- Revenue/Internal Borrowing. The 2024-25 Proposed Budget includes support from revenue sources and borrows internally from special funds. Proposed solutions include, increasing the Managed Care Organization Tax Support for Medi-Cal (\$3.8 billion) and conforming to the Tax Cuts and Jobs Act Net Operating Loss Limitation (\$300 million).
- Funding Delays. Various programs may be subject to approximately \$5.1 billion delays in funding across a three-year period beginning in fiscal year 2025-26, without reducing the total amount of funding through this same period, including to the (1) Transit and Intercity Rail Capital Program; (2) rate reform for Department of Development Services service providers; (3) Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program; (4) Clean Energy Reliability Investment Plan; (5) Behavioral Health Bridge Housing Program; and (6) Vulnerable Community Toxic Clean Up program.
- Fund Shifts. The 2024-25 Proposed Budget shifts approximately \$3.4 billion in certain expenditures from the General Fund to other funds, including to the Greenhouse Gas Reduction Fund, for state plans retirement contribution reductions, and for unemployment insurance interest payments.
- Deferrals. The 2024-25 Proposed Budget defers approximately \$2.1 billion in specific obligations to fiscal year 2025-26, including a June to July payroll deferral and deferrals to the University of California and California State University systems.

The 2024-25 Proposed Budget does not include mid-year budget cuts, deferrals, or program rollbacks. Total funding for all K-12 education programs is set at \$126.8 billion, \$76.4 billion of which is General Fund, and the remaining \$50.4 billion will come from other funds. K-12 per pupil funding totals \$17,653 Proposition 98 General Fund and \$23,519 per pupil when accounting for all funding sources. The minimum Proposition 98 funding for K-12 and community colleges is estimated to be \$109.1 billion in fiscal year 2024-25. The revised Proposition 98 minimum guarantee levels for years 2022-23, 2023-24, and 2024-25 represent a decrease of approximately \$11.3 billion in comparison to the 2023-24 State Budget. In recognition of the delayed tax receipts and its impact on the 2023-24 State Budget as described above, the 2024-25 Proposed Budget proposes statutory changes to address roughly \$8 billion of such decrease to avoid impacting existing K-12 and community college budgets.

Test 1 is expected to be applied for the Proposition 98 minimum guarantee for all years 2022-23 through 2024-25. The Proposition 98 minimum guarantee is rebenched to reflect the continued implementation of Universal Transitional Kindergarten and the Arts and Music in Schools Funding Guarantee and Accountability Act. The resulting rebenched Test 1 percentage to satisfy the Proposition 98 minimum guarantee increased from 38.6 percent to 39.5 percent of General Fund revenues.

Additional education-related highlights from the 2024-25 Proposed Budget include the following:

- Proposition 98 Rainy Day Fund. The 2024-25 Proposed Budget revises payments into the Public School System Stabilization Account of approximately \$1.3 billion for years 2022-23 through 2024-25, and withdrawals of \$3 billion in fiscal year 2023-24 and \$2.7 billion

in fiscal years 2024-25. As a result, at the end of fiscal year 2024-25, the balance in the account should be more than \$3.8 billion. The balance of \$5.7 billion in fiscal year 2023-24 continues to trigger school district reserve caps. (See “Cap on School District Reserves.”)

- Local Control Funding Formula. The 2024-25 Proposed Budget includes a COLA of 0.76 percent. When combined with population growth adjustments, the result is approximately \$1.4 billion less in discretionary funds for LEAs. However, the 2024-25 Proposed Budget includes withdrawals from the Public School System Stabilization Account in 2023-24 and 2024-25, as well as using available reappropriation and reversion funding, to support ongoing LCFF costs. Additionally, the 2024-25 Proposed Budget includes an increase of \$65 million in ongoing Proposition 98 funding to reflect the COLA adjustment for certain categorical programs and the LCFF Equity Multiplier.
- Instructional Continuity. The 2024-25 Proposed Budget includes \$6 million one-time Proposition 98 General Fund for researching existing and developing new models of hybrid and remote learning to support student attendance, and investigating local student information systems to allow LEAs to report individual student absence data to the State in a manner that allows for local and statewide disaggregation of absences related to emergency events. Statutory changes to allow LEAs to provide attendance recovery opportunities to students to make up lost instruction time, offset student absences, mitigate learning loss, and lessen negative fiscal impacts on LEAs are included in the 2024-25 Proposed Budget.
- Teacher Preparation and Professional Development. The 2024-25 Proposed Budget proposes \$25 million ongoing Proposition 98 General Fund to support training for educators to administer literacy screenings that were implemented in the 2023-24 State Budget. To align with the new State math framework, the 2024-25 Proposed Budget includes \$20 million one-time Proposition 98 General Fund for county offices of education to develop and provide training to math coaches and leaders to support teaches in delivery math instruction aligned to the statewide framework.
- School Facility Program. With the Proposition 51 bond funds nearly exhausted, the 2024-25 Proposed Budget adjusts a planned 2024-25 investment into the School Facility Program from \$875 million to \$375 million in one-time General Fund. The Governor expects to enter into negotiations with the Legislature to reach an agreement on a school facility bond proposal to be considered at the November 2024 election.
- Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program. To address the projected budget shortfall, the 2024-25 Proposed Budget delays the fiscal year 2024-25 planned investment of \$550 million to fiscal year 2025-26.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations have been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

Additional Information for State Finances

The full text of proposed and adopted State budgets may be found at the internet website of the California Department of Finance, www.dof.ca.gov, under the heading “California Budget.” The Legislative Analyst’s Office’s (“LAO”) budget overviews and other analyses may be found at www.lao.ca.gov under the headings “The Budget” and “Publications.” In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov or through the Municipal Securities Rulemaking Board’s EMMA website at emma.msrb.org.

Periodic reports on revenues and/or expenditures during the Fiscal Year are issued by the Governor’s Office, the State Controller’s Office and the LAO. The Department of Finance issues a monthly Bulletin, which reports the most recent revenue receipts as reported by state departments, comparing them to Budget projections. The Governor’s Office also formally updates its budget projections three times during each Fiscal Year, in January, May and at budget enactment. These bulletins and other reports are available on the internet.

The information referred to above is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Future State Budgets

The District cannot predict what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures or 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 could result in a significant shortfall of revenue and cash, and could impair the State’s ability to fund schools as budgeted.

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APPENDIX B
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2023

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**APPENDIX C
GENERAL INFORMATION ABOUT THE CITY AND COUNTY**

The following information concerning the City of Santa Clara (the “City”) and the County of Santa Clara (the “County”) is included only for the purpose of supplying general information regarding the area of the Cambrian School District (the “District”). The Bonds are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor. This Appendix includes information that is generally as of dates and for periods before the economic impacts of the COVID-19 (as defined in the front part of this Official Statement) pandemic and the measures instituted in response thereto. The COVID-19 pandemic is ongoing, and as result the geographic spread or mutation of the virus (notwithstanding the general availability of vaccines and boosters to combat the virus), the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain.

General Information

The County, founded in 1850, is located at the southern end of the San Francisco Bay Area region of the State. Encompassing approximately 1,316 square miles, the County is comprised of rural mountain ranges, wetlands and salt marshes, unincorporated ranch and farmland, and extensively urbanized areas. The County ranks sixth in population out of the 58 counties in the State. Also referred to as “Silicon Valley,” the dominant industry in the County is technology. Based on data compiled by Redfin, the median sale price of a single-family home in the County was \$1,700,000 in January 2024, an increase of 12.7 percent from January 2023.

The City is the oldest city in the State, developing from a Spanish pueblo established in 1777. Situated between the Diablo and Santa Cruz mountain ranges, the City encompasses approximately 181 square miles at the south end of the San Francisco Bay and is the county seat of the County. The City is the third most populous city in the State and the twelfth most populous in the United States. Based on data compiled by Redfin, the median sale price of a single-family home in the City was \$1,585,000 in January 2024, an increase of approximately 22.0 percent from January 2023.

Population

The following table lists population figures for the City, the County, and the State for calendar years 2019 through 2023.

**CITY OF SAN JOSE, SANTA CLARA COUNTY, AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2019 through 2023**

	2019	2020	2021	2022	2023
City of San Jose	1,043,617	1,015,826	989,396	963,745	959,256
Santa Clara County	1,944,733	1,936,259	1,910,551	1,890,967	1,886,079
State of California	39,605,361	39,538,223	39,286,510	39,078,674	38,940,231

Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State – January 1, 2019 Sacramento, California, April 1, 2020 and January 1, 2021-2023, Sacramento, California (with 2020 Census Benchmark).

Personal Income

The following table lists shows the *per capita* personal income for the County, the State, and the United State for calendar years 2018 through 2022. According to the United States Bureau of Economic Analysis, *per capita* personal income is calculated as the total personal income of the residents of a given area divided by the population of the area.

SANTA CLARA COUNTY, STATE OF CALIFORNIA, AND UNITED STATES *Per Capita Personal Income* Calendar Years 2018 through 2022

	2018	2019	2020	2021	2022
Santa Clara County	\$106,567	\$112,459	\$124,637	\$144,552	\$144,399
State of California	60,984	64,174	70,061	76,991	77,036
United States	53,309	55,547	59,153	64,430	65,470

Source: U.S. Bureau of Economic Analysis, "CAINCI County and MSA personal income summary: personal income, population, per capita income" (accessed Tuesday, February 20, 2024).

Labor Force and Employment

The tables below provide information about unemployment rates for the City and the County for calendar years 2018 through 2022, not seasonally adjusted. Unemployment rates are not available for the District. The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

CITY OF SAN JOSE Unemployment Rates Calendar Years 2018 through 2022

	2018	2019	2020	2021	2022
Total Labor Force	549,500	552,300	546,200	535,900	548,700
Number of Employed	534,300	537,600	501,300	507,200	533,300
Number of Unemployed	15,200	14,700	44,900	28,700	15,400
Unemployment Rate	2.8%	2.7%	8.2%	5.4%	2.8%

Source: State of California Employment Development Department; Monthly Average Labor Force Data for Cities and Census Designated Places Annual Average, dated March 27-28, 2023, March 2022 Benchmark.

SANTA CLARA COUNTY Unemployment Rates Calendar Years 2018 through 2022

	2018	2019	2020	2021	2022
Total Labor Force	1,042,500	1,050,600	1,025,600	1,012,400	1,040,900
Number of Employed	1,015,000	1,024,200	952,500	963,700	1,013,300
Number of Unemployed	27,600	26,400	73,100	48,600	27,600
Unemployment Rate	2.6%	2.5%	7.1%	4.8%	2.6%

Source: State of California Employment Development Department; Monthly Average Labor Force Data for Counties Annual Average, dated March 27-28, 2023, March 2022 Benchmark.

Labor Force by Industry

The table below provides information about employment by industry type for the County for calendar years 2018 through 2022. The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

SANTA CLARA COUNTY Employment by Industry Calendar Years 2018 through 2022

	2018	2019	2020	2021	2022
Total, All Industries	1,115,200	1,137,900	1,068,600	1,087,400	1,143,600
Total Farm	3,500	3,300	3,100	3,000	3,000
Total Nonfarm	1,111,700	1,134,700	1,065,500	1,087,300	1,140,600
Goods Producing	217,200	220,500	214,300	214,700	227,800
Mining and Logging	200	200	200	200	200
Construction	48,300	51,400	48,600	50,100	52,200
Manufacturing	168,700	168,900	165,500	164,400	175,300
Durable Goods	157,700	158,000	155,900	156,700	167,400
Nondurable Goods	11,100	10,800	9,600	7,700	8,000
Service Providing	894,500	914,200	851,200	869,600	912,800
Trade, Transportation & Utilities	131,700	128,400	116,000	116,700	119,300
Information	92,100	100,500	105,800	107,000	106,300
Financial Activities	36,400	37,600	37,700	38,100	37,600
Professional & Business Services	235,900	241,900	236,300	241,200	252,200
Educational & Health Services	171,900	177,200	171,200	176,900	185,500
Leisure & Hospitality	104,200	105,900	71,700	77,400	94,800
Other Services	28,400	28,400	21,700	22,400	24,600
Government	93,800	94,300	90,900	90,100	92,500
Federal Government	9,800	9,900	10,500	10,400	10,100
State Government	6,900	6,700	6,800	6,700	6,900
Local Government	77,200	77,700	73,600	73,100	75,600

Source: State of California Employment Development Department; Industry Employment & Labor Force – by Annual Average, dated July 21, 2023, March 2022 Benchmark.

Major Employers

The following tables identify the 15 major employers for the City of San Jose, 10 major employers for the County of Santa Clara, number of employees, and percent of total employment in the City or County, respectively, for fiscal year 2022-23.

CITY OF SAN JOSE Major Employers

	Employer	Number of Employees	Percent of Employment
1	County of Santa Clara	20,000	3.78%
2	City of San Jose	8,044	1.52
3	Cisco Systems	7,500	1.42
4	Kaiser Permanente	4,400	0.83
5	San Jose State University	4,095	0.77
6	Adobe Systems Inc.	4,000	0.76
7	Western Digital	2,891	0.55
8	Broadcom	2,805	0.53
9	Paypal Inc.	2,801	0.53
10	San Jose Unified School District	2,516	0.48
11	ByteDance	2,500	0.47
12	Target Stores	2,437	0.46
13	eBay Inc.	2,351	0.44
14	Super Micro Computer	2,219	0.42
15	IBM	2,070	0.39
Total Top Fifteen		70,629	13.35%

Source: City of Santa Clara, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

SANTA CLARA COUNTY Major Employers

	Employer	Number of Employees	Percent of Employment
1	Google LLC	44,244	4.40%
2	Tesla Motors Inc.	30,000	2.98
3	Apple Inc.	25,000	2.49
4	Meta Platforms Inc. (formerly Facebook Inc.)	22,515	2.24
5	County of Santa Clara	21,590	2.15
6	Cisco Systems Inc.	18,500	1.84
7	Stanford University	16,963	1.69
8	Stanford Health Care (formerly Hospital & Clinics)	10,847	1.08
9	University of California Santa Cruz	8,671	0.86
10	City of San Jose	8,134	0.81
Total Top Ten		206,464	20.54%
Total Employment		1,005,500	100.00%

Source: Santa Clara County, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

Commercial Activity

A summary of historic taxable sales within the City and the County during calendar years 2018 through 2022 is shown in the following tables.

CITY OF SAN JOSE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(dollars in thousands)

	2018	2019	2020	2021	2022
Sales Tax Permits	24,323	24,654	25,671	23,747	23,849
Taxable Sales	\$16,428,568,310	\$17,151,535,047	17,436,700,815	20,503,287,928	22,830,511,573

Source: State of California Department of Tax & Fee Administration; Taxable Sales – Cities by Type of Business (Taxable Table 4), last updated January 29, 2024.

SANTA CLARA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(dollars in thousands)

	2018	2019	2020	2021	2022
Sales Tax Permits	52,994	53,312	53,395	51,015	51,222
Taxable Sales	\$45,353,074	\$47,001,964	\$46,444,650	\$52,994,694	\$57,738,947

Source: State of California Department of Tax & Fee Administration; Taxable Sales – by County (Taxable Table 2), last updated January 29, 2024.

Construction Activity

Estimated new privately-owned residential housing units authorized by building permits and total valuation in the County for the past five years for which data is available are shown in the table below.

SANTA CLARA COUNTY
Taxable New Residential Housing Units
(dollars in thousands)

	2018	2019	2020	2021	2022
Single Family Residential Units	1,915	1,876	1,322	1,915	3,545
Multi-Family Residential Units	6,276	3,620	4,035	2,129	4,308
Total New Residential Units	8,191	5,496	5,357	4,044	7,853
Total Valuation	\$1,849,046	\$1,301,592	\$1,011,537	\$1,070,071	\$1,796,479

Source: United States Census Bureau, Building Permits Survey, ASCII files by State, CBSA, County or Place (last modified June 15, 2023).

APPENDIX D
FORM OF OPINION OF DISCLOSURE COUNSEL

PARKER & COVERT LLP
2520 Venture Oaks Way, Suite 190
Sacramento, California 95833

[CLOSING DATE]

Board of Trustees
Cambrian School District
4115 Jacksol Drive
San Jose, California 95124

Re: \$[PAR AMOUNT]
 Cambrian School District
 (Santa Clara County, California)
 2024 General Obligation Refunding Bonds
 Final Opinion of Disclosure Counsel

Members of the Board of Trustees:

We have acted as disclosure counsel in connection with the issuance by the Cambrian School District (the “District”) of \$[PAR AMOUNT] principal amount of Cambrian School District (Santa Clara County, California) 2024 General Obligation Refunding Bonds, (the “Bonds”). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

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

1. The Bonds have been duly authorized and executed by the District and are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation regarding rate or amount (except certain personal property that is taxable at limited rates) to pay the Bonds. Santa Clara County is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.
3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure

to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. Interest on the Bonds is exempt from State of California personal income taxation.

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

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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

Very truly yours,

PARKER & COVERT LLP

APPENDIX E
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX F BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix has been provided by the Depository Trust Company (“DTC”) for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants, or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants, or DTC Indirect Participants will act in the manner described in this Official Statement.

The Depository Trust Company (“DTC”), New York, NY, 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 will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, 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 the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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.

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

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

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, 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, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 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 appendix 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.

APPENDIX G

SANTA CLARA COUNTY INVESTMENT RESULTS AND INVESTMENT POLICY

This Appendix G provides a general description of the County Investment Policy and current portfolio holdings. The information set forth under this section relating to the Santa Clara County Treasury Pool has been obtained from the Santa Clara County Finance Agency and is believed to be reliable but is not guaranteed as to accuracy or completeness. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the County of Santa Clara, Director of Finance, Finance Agency, County Government Center, East Wing, 70 West Hedding Street, San Jose, California, 95110, telephone (408) 299-2541.

The County Director of Finance manages the Santa Clara County Treasury Pool (the “County Pool”) in which certain funds of the County and certain funds of other participating entities are pooled and invested pending disbursement. General participants are those government agencies within the County, including the District, for which the County Director of Finance is statutorily designated as the custodian of such funds. The County Director of Finance is the *ex officio* treasurer of each of these participating entities, and such entities are legally required to deposit their cash receipts and revenues in the County Treasury. Under State law, withdrawals are allowed only to pay for expenses that have become due. The governing board of each school district and special district within the County may allow, by appropriate board resolution, certain withdrawals of non-operating funds for purposes of investing outside the County Treasury. Some districts have from time to time authorized the County Director of Finance to purchase specified investments for certain district funds to mature on predetermined future dates when cash would be required for disbursements. Other local agencies, such as special districts and cities for which the County Director of Finance is not the statutorily designated fund custodian, may participate in the County Pool. Such participation is subject to the consent of the County Director of Finance and must be in accordance with State law.

Funds held in the County Pool are invested by the County Director of Finance in accordance with State law and the County Investment Policy, which is prepared by the County Director of Finance and approved by the County Board. A copy of the County Investment Policy is attached hereto. The County Investment Policy sets forth the investment objectives, in order of priority, of safety of principal, liquidity and yield. In addition, the County Investment Policy describes the instruments eligible for inclusion in the County Pool and the limitations applicable to each type. A County Treasury Oversight Committee approves the County Investment Policy prepared by the County Director of Finance annually, reviews and monitors the quarterly investment reports prepared by the County Director of Finance, reviews depositories for County funds and broker/dealers and banks as approved by the County Director of Finance, and causes an annual audit to be conducted to determine the County Treasury’s compliance with all relevant investment statutes and ordinances and the County Investment Policy. The County Director of Finance neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District will maintain or cause to be maintained detailed records with respect to the applicable proceeds.

A summary description of the composition of the County Pool from the quarterly investment report as of December 31, 2023 is provided in the following table.

Securities by Type
Santa Clara County Treasury Pool

Investments	Book Value	Percent of Portfolio
Federal Agencies	\$3,820,301,662	29.99%
Corporate Bonds	1,535,985,231	12.06
Mortgage Backed Securities	1,373,503,029	10.78
Commercial Paper	627,985,030	4.93
Asset-Backed Securities	1,125,959,324	8.84
Asset-Backed Securities - Green Bonds	40,735,036	0.32
Municipal Securities	29,995,000	0.24
U.S. Treasuries	1,046,045,208	8.21
Negotiable CDs	795,000,000	6.24
LAIF	44,741,793	0.35
Money Market Funds	2,052,260,546	16.11
Supranationals	194,455,435	1.53
Supranationals - Green Bonds	49,766,721	0.39
Total	\$12,736,734,016	100.00%

Source: Santa Clara County, Controller-Treasurer Department.

Neither the District nor the Underwriter has made an independent investigation of the investments in the County Pool and has made no assessment of the current County Investment Policy. The value of the various investments in the County Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Director of Finance, upon the approval by the County Board, may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the County Pool will not vary significantly from the values described therein.

4.8 TREASURY INVESTMENT POLICY

4.8.1 Statement of Intent

The purpose of this document is to set forth the County of Santa Clara's policy applicable to the investment of short-term surplus funds. In general, it is the policy of the County to invest public funds in a manner that will provide a competitive rate of return with maximum security while meeting the cash flow requirements of the County, school districts and special districts whose funds are held in the County Treasury, in accordance with all state laws and County ordinances governing the investment of public funds.

4.8.2 Scope

This investment policy applies to all financial assets held by the County. Those assets specifically included in this investment policy are accounted for in the County's Comprehensive Annual Financial Report and are included here as part of the County's Commingled Investment Pool.

4.8.3 Objectives

The following investment objectives shall be applied in the management of the County's funds.

- (A) The foremost objective of the County's investment program shall be to safeguard principal. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- (B) The secondary objective shall be to meet the liquidity needs of its participants. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- (C) The third objective shall be to attain a market rate of return (yield) throughout budgetary and economic cycles, taking into account the County's investment constraints and cash flow characteristics. The core of investments will be limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Risk Mitigation

Those factors that can lead to an unexpected financial loss can be broadly grouped into the following categories: credit risk, liquidity risk, interest rate risk and operational risk. Credit risk is the possibility that a bond issuer will default or that the change in the credit quality of counterparty will affect the value of a security. Liquidity risk for a portfolio that does not market value its holdings on a daily basis is the risk that sufficient cash or cash equivalents are not available and a security may have to be sold at a loss (based on its original cost) in order to meet a payment liability. Interest rate risk is the risk that the value of a fixed income security or portfolio will fall as a result of an increase in interest rates. Operational risk refers to potential losses resulting from inadequate systems, management failure, faulty controls, fraud and human error.

It is part of this policy to pursue the listed actions below to reduce the risk of exposure to the County's investments.

Credit Risk

- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- Only purchasing securities that meet ratings standards specified in this policy.
- Conducting ongoing reviews as needed of all credit exposures within investment portfolios.
- Rating restrictions for all investments are denoted as requirements at time of purchase. If a security should incur a downgrade by either rating agency, placing the security on special surveillance to identify and monitor any continuing deterioration trends and, if warranted, selling the security.
- Reviewing the possible sale of a security whose credit quality is declining to minimize loss of principal.

Liquidity Risk

- To the extent possible, matching investment maturities with anticipated cash demands, also known as creating static liquidity. Alternatively, apply application software to analyze and validate that cash from investment activity is sufficient to cover all liabilities.
- Since all possible cash demands cannot be anticipated, maintaining portfolios largely of securities with active secondary or resale markets (dynamic liquidity).
- Making investments that could be appropriately held to maturity without compromising liquidity requirements.
- Prior to approving or disapproving a withdrawal request (a reduction of liquidity), the County Treasurer shall determine that the proposed withdrawal will not adversely affect the interests of the other depositors in the County pool.

Interest Rate Risk

- Not investing in securities maturing more than five years from the settlement date unless the issuer is an Federal Agency of the United States or the credit is backed by the full faith and credit of the United States Government and the underlying remaining weighted average life of the debt security is less than five years at time of purchase.
- Limiting the weighted average maturity of the County's Commingled portfolio to three years or less.
- Limiting segregated investments to maturities of five years or less unless a longer term is specifically approved by the appropriate legislative body.

- Not investing in any funds in financial futures, option contracts, inverse floaters, range note or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.
- Ensuring that adequate resources are devoted to interest rate risk measurement.

Operational Risk

- Establishing a system of internal controls, which is designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the County.
- Having an audit review to examine the system of internal controls to assure that established policies including risk management procedures are being complied with.

4.8.4 Standards of Care

(A) **Prudence.** The County Treasurer is a trustee and therefore a fiduciary subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the County Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that prudent person acting in a like capacity and familiar with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, the County Treasurer is authorized to acquire investments as authorized by law.

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The County recognizes that no investment program is totally riskless and that the investment activities of the County are a matter of public record. Accordingly, the County recognizes that occasional measured losses are inevitable in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that the portfolio is adequately diversified and that the sale of a security is in the best long-term interest of the County. Significant adverse credit changes or market price changes on County-owned securities shall be reported to the Board of Supervisors and the County Executive in a timely fashion.

(B) **Competitive Transactions.** Where practicable, each investment transaction shall be competitively transacted with brokers/dealers/banks approved by the County Treasurer.

(C) **Indemnification.** Investment officers acting in accordance with state laws, County ordinances, this policy and written procedures, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development.

(D) **Ethics and Conflicts of Interest.** County employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and investment personnel shall subordinate their personal investment transactions to those of the County, particularly with regard to the timing of purchases and sales.

County officers and employees involved with the investment process shall refrain from accepting gifts that would be reportable under the Fair Political Practices Commission (FPPC) regulations.

Members of the Treasury Oversight Committee shall not accept any honoraria, gifts or gratuities from advisors, brokers, dealers, bankers or other persons with whom the County Treasury conducts business that would be reportable under the FPPC regulations, or prohibited under any applicable law or policy.

4.8.5 Authorized Financial Dealers and Institutions

The County Treasurer shall establish an approved list of brokers, dealers, banks and direct issuers of commercial paper to provide investment services to the County. It shall be the policy of the County to conduct security transactions only with approved institutions and firms. To be eligible for authorization, firms that are commercial banks must be members of the FDIC, and broker/dealers:

- Preferably should be recognized as a Primary Dealer by the Market Reports Division of the Federal Reserve Bank of New York, and
- Must maintain a secondary position in the type of investment instruments purchased by the County.

In addition, the firm must also qualify under SEC Rule 15C3-1 (Uniform Net Capital Rule). Approved broker/dealer representatives and the firms they represent shall be licensed to do business in the State of California.

The criteria for selecting security brokers and dealers from, to, or through whom the County Treasury may purchase or sell securities or other instruments, prohibits the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to any member of the governing board of any local agency that is a participant in the County Treasury or any candidate for those offices.

No public deposit shall be made except in a qualified public depository as established by state law. An annual analysis of the financial condition and professional institution/bank rating will be conducted by the County Treasurer and reported to the County Treasury Oversight Committee. Information indicating a material reduction in ratings standards or a material loss or prospective

loss of capital must be shared with the Board of Supervisors, the County Executive, and the Oversight Committee in writing immediately.

To be eligible to receive local agency money, a bank, savings association, federal association or federally insured industrial loan company shall have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code.

4.8.6 County Treasury Oversight Committee

A County Treasury Oversight Committee shall be established by the Board of Supervisors pursuant to Government Code Section 27130 et seq to advise the County Treasurer in the management and investment of the Santa Clara County Treasury. The Oversight Committee shall be comprised of six members representing the County, school districts and other local government agencies whose funds are deposited in the County’s commingled pool and other segregated investments. Members of the Oversight Committee will be nominated by the Treasurer and confirmed by the Board of Supervisors. The Committee is comprised of the following members:

- (1) County Director of Finance.
- (2) County Executive appointed by the Board of Supervisors.
- (3) Representative appointed by a majority of the presiding officers of the legislative bodies of the special districts in the County that are required or authorized to deposit funds in the County Treasury.
- (4) County Superintendent of Schools or his or her designee.
- (5) Representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County.
- (6) One member of the public that has expertise in and or an academic background in public finance.

Each member may designate an alternate to serve in the absence of the member. The alternate shall take the oath of office and file a conflict of interest report with the Clerk of the Board. The alternate shall exercise the vote of the member at meetings where the member is not present.

It is the responsibility of the County Treasury Oversight Committee to approve the investment policy prepared annually by the County Treasurer, to review and monitor the quarterly investment reports prepared by the County Treasurer, to review depositories for County funds and broker/dealers and banks as approved by the County Treasurer, and to cause an annual audit to be conducted to determine the County Treasury’s compliance with all relevant investment statutes and ordinances, and this investment policy. Any receipt of honoraria, gifts, and gratuities

from advisors, brokers, and dealers, bankers or other persons with whom the County Treasury conducts business by any member of the County Treasury Oversight Committee is limited to amounts that would not be reportable to the Fair Political Practices Commission. These limits may be in addition to the limits set by a committee member's own agency or by state or local law or policy.

Nothing in this article shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual brokers, or dealers, or impinge on the day-to-day operations of the County Treasury.

4.8.7 Eligible, Authorized and Suitable Investments

All investments shall conform with state law including but not limited to Government Code 53600 et seq and any further restrictions imposed by this policy (Authorized Investments). Where this section specifies a percentage limitation for a particular category of investment or specific issuer, that percentage is applicable only at the date of purchase. If subsequent to purchase, portfolio percentage constraints are above the maximum thresholds due to changes in value of the portfolio or changes due to revisions of the policy, then affected securities may be held to maturity in order to avoid principal losses. However, the County Treasurer may choose to rebalance the portfolio if percentage imbalances are deemed to impair portfolio diversification.

If after purchase securities are downgraded below the minimum required rating level the securities shall be reviewed for possible sale within a reasonable amount of time after the downgrade. Significant downgrades and the action to be taken will be disclosed in the Quarterly Investment Report.

U.S. Treasury and Government Agencies. There shall be no limit in the amount that may be invested in debt obligations that are backed by the full faith and credit of the United States government. This includes but is not limited to U.S. Treasury bills, notes or bonds. However, this does not include Medium-Term Corporate Notes or Deposit Notes, as described below.

There shall be no limit in the amount that may be invested in Federal Agencies of the United States or United States government sponsored-enterprise obligations, participations, and bond issuances including those issued by or fully guaranteed as to principal and interest by federal agencies or the United States government.

Repurchase Agreements. A repurchase agreement consists of two simultaneous transactions under the same agreement. One is the purchase of securities by an investor (County Treasury) from a bank or dealer. The other is the commitment by the bank or dealer to repurchase the securities at a specified price and on a date mutually agreed upon.

Repurchase agreements shall be entered into only with dealers and financial institutions which have executed a Master Repurchase Agreement with the County and are recognized as primary dealers with the Market Reports Division of the Federal Reserve Bank of New York.

- The term of the repurchase agreement is limited to 92 days or less. The securities underlying the agreement may be obligations of the United States Government, its agencies, or agency mortgage backed securities. For repurchase agreements that exceed 15 days, the maturities on purchased securities may not exceed 5 years.
- The purchased securities shall have a minimum market value, including accrued interest, of 102 percent of the dollar value of the agreement. Purchased securities shall be held in the County's custodian bank as safekeeping agent, and the market value of the securities shall be marked-to-market on a daily basis.

Reverse Repurchase Agreements. A reverse repurchase agreement consists of two simultaneous transactions under the same agreement. One is the sale of securities by the County Treasury to a bank or dealer. The other is the commitment by the County Treasury to repurchase the securities at a specified price and on a date mutually agreed upon.

Reverse repurchase agreements may only be transacted with dealers and financial institutions which have executed a Master Repurchase Agreement with the County as approved by the Board of Supervisors, and which are Primary Dealers of the Federal Reserve Bank of New York. Reverse repurchase transactions must meet the following requirements:

- Sold securities must be owned and fully paid a minimum of 30 days prior to transaction.
- The total of all reverse repurchase and securities lending agreements cannot exceed 20% of the portfolio's base value.²
- The term of the reverse repurchase agreement is not to exceed 92 days unless the agreement includes a written codicil that guarantees a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
- Funds obtained through a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
- Reverse repurchase agreements may only be used to effect a "matched" transaction whereby the proceeds of the reverse are reinvested for approximately the same time period as the term of the reverse repurchase agreement.
- Reverse repurchase agreements may not exceed \$90 million.

² Base value of the County's Pool refers to the dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements or securities lending agreements.

- Investments in reverse repurchase agreements in which Treasury sells securities prior to purchase with a simultaneous agreement to repurchase the security may only be made upon prior approval of the Board of Supervisors.

Reverse Repurchase Agreements will be used solely for the intent of accessing liquid funds on a temporary basis and will not be used as a means to amplify portfolio returns.

All other cost effective means of obtaining liquidity will be considered prior to exercising this option.

In exception to the above, a trial transaction will be permitted on a periodic basis as emergency preparation to ensure that internal systems and staff members remain up-to-date on processing procedures. The amount of the trial transaction will not exceed pre-established limits set by the Treasurer.

Securities Lending. The mechanics behind a securities lending transaction consist of the County lending a security. The borrower, a financial institution, pledges collateral consisting of cash to secure the loan. Borrowers sometimes offer letters of credit as collateral. The lending agreement requires that the collateral must always exceed the market value of the security by 2%. Changes in the security's price during the term of the loan may require adjustments in the amount of collateral. The cash collateral obtained from the borrower is then invested in short-term assets for additional income. Also, the County is entitled to all coupon interest earned by the loaned security. At the end of the loan term, the transaction is unwound, the securities and collateral, which are held by a custodian bank, are returned to the original owners. The borrower is obliged to return the securities to the lender, either on demand from the County or at the end of any agreed term. Lending transactions must meet the following requirements:

- Loaned securities must be owned and fully paid a minimum of 30 days prior to transaction.
- The total of all reverse repurchase and securities lending agreements cannot exceed 20% of the portfolio's base value.
- The term of the securities lending agreement is not to exceed 92 days.
- Funds obtained through a securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the securities lending agreement.
- The objective of the transaction is to produce positive earnings.

To qualify as a counter-party to the County in a securities lending transaction, the broker/dealer must be recognized as a Primary Dealer by the Federal Reserve Bank and the County's custodial bank must indemnify the County against losses related to the broker-dealer.

Non-Negotiable Time Deposits (CDs) That Are FDIC Insured and Collateralized Time Deposits. Time deposits with banks or savings and loan associations shall be subject to the limitations imposed by the Government Code, as amended, and additional constraints prepared

by the County Treasurer that would limit amounts to be placed with institutions based on creditworthiness, size, market conditions and other investment considerations.

Negotiable Certificates of Deposit. The bank issuing a negotiable certificate of deposit with a maturity of one year or less, must reflect the following or higher ratings from at least two of these *nationally recognized statistical rating organizations* (NRSRO's): Moody's (P1), Standard and Poor's (A1), and Fitch (F1). Certificates that exceed one year, must reflect the following ratings or higher by at least two of these NRSRO's: Moody's (Aa3), Standard and Poor's (AA-), and Fitch (AA-). Negotiable certificates of deposit shall not exceed 30% of the surplus funds of the portfolio. No more than 5% of the portfolio shall be in a single bank.

Bankers' Acceptances. Investments in eligible bankers' acceptances of United States or foreign banks shall not exceed 180 days maturity from the date of purchase. This debt must reflect the following or higher ratings by at least two of these NRSRO's: Moody's (P1), Standard and Poor's (A1), and Fitch (F1). Bankers' Acceptances shall not exceed 40% of surplus funds. No more than 5% of the portfolio shall be invested in a single commercial bank.

Commercial Paper. Investments in commercial paper shall not have a maturity that exceeds 270 days. Commercial paper must reflect the following or higher ratings by at least two of these NRSRO's: Moody's (P1), Standard and Poor's (A1), and Fitch (F1). The issuer must meet the qualifications as indicated below pursuant to California Government Code:

If the commercial paper is short-term unsecured promissory notes issued by financial institutions or corporations, the issuer must:

- Be organized and operating in the United States as a general corporation;
- Have total assets in excess of five hundred million dollars (\$500,000,000); and
- If the issuer has senior debt outstanding, the senior debt must reflect the following ratings or higher by at least two of these NRSRO's: Moody's (A3) Standard and Poor's (A-) and Fitch (A-).

If the commercial paper is asset backed, the issuer must:

- Be organized within the United States as a special purpose corporation, trust, or limited liability company; and
- Have program-wide credit enhancements including, but not limited to, over collateralization, letters of credit or surety bonds and include a liquidity vehicle.

Commercial paper shall not exceed 40% of the local agency's funds. No more than 5% of the portfolio shall be invested in any single issuer of commercial paper.

Medium Term Corporate Notes or Deposit Notes. The purchase of corporate notes shall be limited to securities that reflect the following ratings or higher by at least two of these NRSRO's: Moody's (Aa3), Standard and Poor's (AA-), and Fitch (AA-). Medium term corporate notes or deposit notes (five years or less) shall be limited to 30% of surplus funds. No more than 5% of

the portfolio shall be invested in any single corporation including those issuers whose debt is fully guaranteed as to principal and/or interest by federal agencies or the United States government.

Local Agency California Investment Fund (LAIF). Funds may be invested in LAIF, a State of California managed investment pool up to the maximum dollar amounts in conformance with the account balance limits authorized by the State Treasurer.

Municipal Obligations. The purchase of municipal obligations shall include the following:

(A) **Treasury notes or bonds of the state of California,** including other obligations such as registered state warrants, certificates of participation, lease revenue bonds and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(B) **Bonds, notes, warrants, certificates of participation, lease revenue bonds or other evidences of indebtedness of any local agency within this state,** including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(C) **Registered treasury notes or bonds of any of the other 49 United States in addition to California,** including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

For those instruments that are rated, long-term obligations must reflect the following ratings or higher by at least two of these NRSRO's: Moody's (A3), Standard and Poor's (A-), and Fitch (A-). Short term obligations must carry the following ratings or higher by at least one of these NRSRO's: Moody's (MIG-1), Standard and Poor's (SP-1), and Fitch (F-1). No more than 10% of surplus funds shall be in such obligations.

Money Market Funds. Companies issuing such money market funds must have assets under management in excess of \$500,000,000. The advisors must be registered with the Securities and Exchange Commission (SEC) and have at least five years' experience investing in such types of investments. The fund must reflect the highest rating by at least two of these NRSRO's: Moody's (Aaa), Standard and Poor's (AAA), and Fitch (AAA). No more than 20% of the Treasury's funds may be invested in money market funds and no more than 10% of the Treasury's funds may be invested in one money market fund. If the money market fund is tax-exempt then only one "AAA" rating by an NRSRO is required. The money market fund must also be "no-load", which is a fund that does not compensate sales intermediaries with a sales charge or commission that is deducted from the return of the fund.

Asset Backed Securities. Asset backed securities (ABS) are notes or bonds secured or collateralized by pools of loans such as installment loans or receivables.

- The asset backed security itself must reflect the following ratings or higher from at least two of these NRSRO's: Moody's (Aa3), Standard and Poor's (AA-) and Fitch (AA-).
- Asset backed securities together with mortgage backed securities may not exceed 20% of the Treasury's surplus money.

Agency Mortgage Backed Securities. Mortgage backed securities (MBS) are-collateralized by pools of conforming mortgage loans or multi-family mortgage loans insured by FHLMC or FNMA and or guaranteed by FHA (GNMA).

- Agency mortgage backed securities together with asset backed securities may not exceed 20% of the Treasury's surplus money.

Supranational Debt Obligations. United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development of the World Bank (IBRD) or the Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments must be rated "AAA" by at least two of the following, NRSRO's, Moody's, Standard and Poor's or Fitch and shall not exceed ten percent, in aggregate, of the Treasury's surplus funds.

General Parameters

Socially Responsible Investments

Whenever possible, in addition to and subordinate to the objectives set forth in section 4.8.3 herein, it is the County's policy to create a positive impact by investing in socially responsible corporations and agencies as defined by priorities set by the Board of Supervisors.

Ineligible Investments

Ineligible investments include common stock, inverse floaters, range notes, mortgage-derived interest only strips and any security that could result in zero interest accrual if held to maturity or any security that does not pay (cash or earn accrued) interest in one year or at least semi-annually in subsequent years and any investment not authorized by this policy unless otherwise allowed by law and approved by the Board of Supervisors.

Combined Issuer/Institutional Limits.

No more than 5% of the portfolio shall be invested in aggregate of any single institution of the following types: Bankers Acceptances, Commercial paper, Negotiable Certificates of Deposit, and Corporate Notes.

Swaps

Investments will be reviewed for the possibility of a swap to enhance yield when both securities have a similar duration so as not to affect the cash flow needs of the program. Swaps should have a minimum of five basis points before being transacted.

4.8.8 Maximum Maturity

The County Investment portfolio shall be structured to provide that sufficient funds from investments are available to meet the anticipated cash needs of the depositors in the County's commingled investment pool. The choice of investment instruments and maturities shall be based on an analysis of depositors cash needs, existing and anticipated revenues, interest rate trends and specific market opportunities. The average weighted maturity of the portfolio will not exceed three years and investments will have a maturity of no more than five years from the settlement date unless specifically approved by the Board of Supervisors or the provisions set forth elsewhere in this policy.

4.8.9 Segregated Investments (excludes Commingled Funds)

Segregated investments of instruments permitted in Government Code Section 53601 can be made upon proper authorization where cash flow or other factors warrant segregation from the commingled pool. Examples that may justify such segregation are bond or note proceeds, Retiree Health funds or Workers Compensation funds where longer term or matching term investments are warranted.

For segregated investment funds, no investment shall be made that could not appropriately be held to maturity without compromising liquidity requirements.

Segregated investments shall be limited to five years maturity unless a longer term is specifically approved by the appropriate legislative body.

Government Code Sections 53620 and 53622 grant the County authority to invest the assets of the Santa Clara County Retiree Health Trust in any form or type of investment deemed prudent by the governing body. Accordingly, the County Board of Supervisors has determined that up to 67 percent of the Trust's assets, excluding near-term liability pay-outs, may be invested in equities through mutual funds or through the direct purchase of common stocks by a money management firm(s) approved by the Board of Supervisors.

In accordance with the prudent person standard in Government Code Sections 53620 through 53622, the assets of the Santa Clara County Retiree Health Trust may be invested in bonds that have a final maturity of 30 years or less from purchase date, and in bonds that reflect the following ratings or higher from at least two of these NRSRO's: Moody's (A3), Standard and Poor's (A-), and Fitch (A-).

4.8.10 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held in the name of the County by a custodian designated by the County Treasurer and evidenced by trade confirmations and safekeeping holdings reports.

The County Treasurer will approve certain financial institutions on an annual basis to provide safekeeping and custodial services for the County. Custodian banks shall be selected on the basis of their ability to provide service to the County's account and the competitive pricing of their safekeeping related services. All securities purchased by the County under this section shall be properly designated as an asset of the County and held in safekeeping by a custodial bank chartered by the United States Government or the State of California. The County will execute custodial agreement(s) with its bank(s). Such agreements will outline the responsibilities of each party for the notification of security purchases and sales, address wire transfers as well as safekeeping and transaction costs, and provide details on procedures in case of wire failures or other unforeseen mishaps along with the liability of each party.

To be eligible for designation as the County's safekeeping and custodian agent, a financial institution shall meet the following criteria:

- Have a Moody's rating of P-1 or Standard and Poor's rating of A-1 for the most recent reporting quarter before the time of selection.
- Qualify as a depository of public funds in the State of California as defined in Government Code Section 53638.

The County Treasurer shall require each approved custodial bank to submit a copy of its Consolidated Report of Condition and Income (Call Report) to the County within forty-five days after the end of each calendar quarter.

It is the intent of the County to mitigate custodial credit risk by insuring that all securities are appropriately held.

Securities typically clear and settle as electronic book entries through the following clearinghouses: (1) the Depository Trust Corp. (DTC), a member of the Federal Reserve Bank; or (2) the Fed Book-Entry System, owned by the Federal Reserve. Governments generally do not have their own account in the Fed Book-Entry System or at DTC, but have access to those systems through large financial institutions who are members and participants. The County's securities within the clearing system are held under the Custodial Bank's name. The Custodial Bank's internal records identify the County as the underlying beneficial owner of securities.

Infrequently, physical certificates are used to reflect ownership of a security. When physical securities are received by the Custodial Bank, they are sent to a transfer agent to be registered into the Custodial Bank's nominee name. It is kept in the bank's vault until redeemed or sold. The Custodial Bank records identify the County as the underlying beneficial owner and include the securities on the County's Safekeeping report.

4.8.11 Internal Controls and Accounting

The County shall establish a system of internal controls, which is designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the County.

The County maintains its records on the basis of funds and account groups, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of the County in accordance with Generally Accepted Accounting Principles as promulgated by the Government Accounting Standards Board.

The County shall establish a process for an annual review by either the County's internal or external auditor. This review will examine the system of internal controls to assure that the established policies and procedures are being complied with and many result in recommendations to change operating procedures to improve internal control.

4.8.12 Reporting

(A) Methods.

(i) The County Treasurer shall prepare an investment report quarterly, including a management summary that provides a clear status of the current investment portfolio, quarterly transactions, investment philosophy and market actions and trends. The management summary will be prepared in a manner which will allow the County to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Board of Supervisors, the County Executive, the County Treasury Oversight Committee, Internal Auditor, and local agencies with funds on deposit in the County pool. The report will include the following:

- A listing of individual securities by type of investment and maturity held at the end of the reporting period.
- A composite of transactions purchased during the reporting period by type of security.
- Unrealized gains or losses resulting from appreciation or depreciation of securities held in the portfolio, by listing the cost of market value of securities.
- Average weighted yield to maturity of the portfolio and benchmark comparisons.
- Weighted average maturity of the portfolio.
- A summary of purchases during the reporting period by broker/dealers or banks showing the purchase date, issuing agency, amount purchased, cost and purchase date.

- A statement denoting the ability of the County to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may not, be available.

(ii) The County Treasurer shall prepare a monthly report with a brief summary of the investment report and a listing of the transactions conducted during the month. The report will be provided to the Board of Supervisors, Treasury Oversight Committee and the local agencies with funds on deposit in the County Pool.

Material deviations from projected budgetary investment results shall be reported no less frequently than quarterly to the Board of Supervisors and the County Executive.

(B) Performance Standards.

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates, taking into account the County's investment risk constraints and cash flow needs.

The basis for measurement used to determine whether market yields/rate of return are being achieved shall be the State Treasurer's Local Agency Investment Fund (LAIF). It should be recognized, however, that since the investment parameters of LAIF are broader than the County's investment policies, the returns realized by the County cannot necessarily be expected to exceed the returns realized by LAIF on a regular basis.

(C) The County utilizes the following methods to pay for banking services and County administration of the investment function:

General Banking Services. General banking services such as safekeeping, items deposited, statements, account maintenance, etc., may be paid to the bank through direct payment or a combination of direct payment and compensating balance.

Investment and Banking Administration Costs. The County recovers staffing and other costs relating to the County's administration services for banking and investment functions provided to the County Treasury. The administrative costs are allocated against the earnings of the County pool prior to apportionment of earnings.

Earnings Apportionment. Earnings of the County pool are apportioned quarterly to all participants of the pool based on the average daily balance of each fund during the quarter.

Realized capital gains (the gain from securities sold at a higher price compared to cost) are added to quarterly earnings. Realized capital losses (the loss from securities sold at a lower price compared to cost) reduce quarterly earnings. To the extent that a realized capital loss exceeds the quarterly aggregate earnings of the Pool, the loss will be shared across all funds. The size of the write-down for any individual fund balance will be based on the average daily balance of each fund during the quarter in which the loss occurred.

Any apportioned earnings may not be available for withdrawal until all monies that have been earned (i.e., accrued) have actually been received by the County Treasurer.

4.8.13 Investment Policy Adoption

Pursuant to Government Code Section 27133 the County Treasurer annually prepares an investment policy that is reviewed, monitored and approved by the County Treasury Oversight Committee. Any changes must be approved by the Board of Supervisors. Copies of the approved investment policy shall be circulated annually to local agencies with funds on deposit in the County pool.

4.8.14 Voluntary Participants

The County provides the opportunity for local agencies to deposit excess funds within the County's Commingled Pool pursuant to Government Code Section 53684. In order to participate, voluntary participants must sign the County's Disclosure and Agreement for Voluntary Deposits which outlines the terms and conditions of participation, including constraints on deposits and withdrawals from the pool. Voluntary participants must also submit a resolution duly adopted by its governing board authorizing the deposit of funds into the Investment Pool.

It is the County's policy to not allow access to the pool unless the voluntary participant agrees to a long-term relationship utilizing the pool and County Treasury for its primary banking needs. The County does not wish to enter into relationships where an entity is placing funds because yields for a time may be higher than what is available at other organizations, because such activity can have an adverse and unfair impact on the other participants. Upon approval of the Treasurer, accommodations may be made to utilize the County resources to make specific investments or manage segregated funds for a voluntary participant at an agreed cost.

4.8.14.1 Temporary Loans to Pool Participants

Various public entities maintain funds on deposit with the County Treasury. From time to time, these public entities experience cash flow problems. Allowing these entities to temporarily borrow from the commingled investment pool is an alternative way to address their short-term cash flow problems. In order to ensure that these temporary loans comply with all legal requirements and investment pool objectives, no such transfers shall be made unless all of the following requirements are met:

- Because the commingled investment pool consists of deposits from both restricted and unrestricted sources, all transfers shall comply with all requirements of Government Code Sections 53601, 53840, 53841 and 53842, including the requirements that they be legally characterized as loans and formalized with "evidences of indebtedness," and meet maturity and security criteria.
- All transfers shall comply with Article XVI, Section 6 of the California Constitution, including the limitations on borrowing amounts and loan periods.

- No transfers shall be made during any fiscal year unless the Board of Supervisors has adopted a resolution authorizing transfers for that fiscal year. (Cal. Constitution Article XVI, Section 6; Government Code Section 25252.)
- Any inter-fund transfers between school district and community college accounts shall be formally approved by the district's governing board and shall comply with all other requirements of Education Code Sections 42603, 42620 and 85220, including requirements regarding repayment, sufficient income, and maximum transfer amounts.
- No transfer may occur until the fund needing the transfer meets the revenue sufficiency test, consistent with state law and County investment pool investment-risk constraints, established by the Director of Finance to ensure repayment.
- Direct borrowing from the pool should be a last resort funding alternative. Pool participants will be encouraged to use all available internal sources for cash flow needs through interfund borrowing between the participant's various funds.

The Director of Finance shall do all of the following:

- Proactively monitor fund balances.
- Establish early warning triggers to identify those funds most likely to incur an overdraft and require a transfer.
- Establish a revenue sufficiency test for the purpose of assessing repayment ability.
- Place tax apportionments assigned to an overdrawn fund in a lock box sequestered for credit to the investment pool.
- Establish and monitor investment pool exposure limits.
- Monitor funds to ensure that loans meet dry period (last Monday in April through June 30 of the fiscal year) financing restrictions.
- Restrict certain individual funds (e.g., bond reserve funds) from use as a borrowing source in inter-fund borrowing across funds held by pool participant.
- Establish a hierarchy of associated funds owned by each pool participant to be used as alternative funding sources in the event any of the participant's funds needs a loan.
- Implement accounting procedures that either manually or automatically transfer funds from one fund to another based on preset rules.
- Report within the Quarterly Investment listing all loans extended by the investment pool to participants.

The County's external financial auditor shall regularly review all of the practices and procedures in this Section to ensure compliance with all legal requirements.

4.8.15 Withdrawal of Funds by Voluntary Participants

Public entities that are voluntary participants in the County pool who wish to make withdrawals for the purpose of investing outside of the County pool may request such withdrawals in accordance with the County Investment Management Agreement.

The County Treasurer will assess the proposed withdrawal on the stability and predictability of the investments in the County pool. Prior to approving or disapproving a withdrawal request, the County Treasurer shall determine that the proposed withdrawal will not adversely affect the interests of the other depositors in the County pool. Funds are withdrawn based on the market value.

4.8.16 Warranties

All depositors acknowledge that funds deposited in the Investment Pool are subject to market/investment risk, and that the County Treasurer makes no warranties regarding Investment Pool performance, including but not limited to preservation of capital or rate of return earned on funds deposited in the Investment Pool. Depositors knowingly accept these risks and waive any claims or causes of action against the County Treasurer, the County, and any employee, official or agent of the County for loss, damage or any other injury related to the Depositors' funds in the Investment Pool, with the exception of loss, damage or injury caused solely by the County Treasurer's material failure to comply with the County Investment Policy and all applicable laws and regulations.