

NEW ISSUE—FULL BOOK-ENTRY**RATING: Moody's: "Aaa"****(See "MISCELLANEOUS – Rating" herein)**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

\$ _____ *

SAN MATEO UNION HIGH SCHOOL DISTRICT
(San Mateo County, California)
2021 General Obligation Refunding Bonds
(Federally Taxable)

Dated: Date of Delivery**Due: September 1, as shown on the inside cover**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page but not otherwise defined will have the meanings assigned thereto as provided in the Official Statement.

The San Mateo Union High School District (San Mateo County, California) 2021 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds") are being issued by the San Mateo Union High School District (the "District") to (i) advance refund certain of the District's outstanding Prior Bonds and (ii) pay the costs of issuing the Bonds.

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

The Bonds will be dated as of their date of initial delivery, and will be issued as current interest bonds such that interest thereon will accrue from such initial delivery date and be payable semiannually. Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2022. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof.

The Bonds will be issued in book-entry form only, initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees.

Payments of principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated 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 as further described herein.*

Maturity Schedule
(see inside front cover)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Disclosure Counsel, and for the Underwriter by Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2021.

[STIFEL LOGO]

This Official Statement is dated _____, 2021.

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

MATURITY SCHEDULE*

Base CUSIP⁽¹⁾:

\$ _____

**SAN MATEO UNION HIGH SCHOOL DISTRICT
(San Mateo County, California)
2021 General Obligation Refunding Bonds
(Federally Taxable)**

\$ _____ Serial Bonds

| Maturity (September 1) | Principal Amount | Interest Rate | Yield | CUSIP⁽¹⁾ Suffix |
|-----------------------------------|-----------------------------|--------------------------|--------------|---------------------------------------|
|-----------------------------------|-----------------------------|--------------------------|--------------|---------------------------------------|

\$ _____ – ____% Term Bonds due September 1, 20__ – Yield: ____%; CUSIP⁽¹⁾ Suffix:

* Preliminary, subject to change.

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

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

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

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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.

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

SAN MATEO UNION HIGH SCHOOL DISTRICT

Board of Trustees

Robert H. Griffin, *President*
Peter H. Hanley, *Vice President*
Linda Lees Dwyer, *Clerk*
Greg Land, *Trustee*
Ligia Andrade Zuniga, *Trustee*

District Administration

Kevin Skelly, Ph.D., *Superintendent*
Yancy Hawkins, CPA, *Associate Superintendent/Chief Business Officer*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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

Municipal Advisor

Keygent LLC
El Segundo, California

Paying Agent and Escrow Agent

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

Verification Agent

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

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\$ _____ *

SAN MATEO UNION HIGH SCHOOL DISTRICT
(San Mateo County, California)
2021 General Obligation Refunding Bonds
(Federally Taxable)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of San Mateo Union High School District (San Mateo County, California) 2021 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The San Mateo Union High School District (the “District”) is a community funded district (as described herein) located in San Mateo County (the “County”) that includes the communities of Burlingame, Foster City, Hillsborough, Millbrae, San Bruno and San Mateo. The District operates six comprehensive high schools, a continuation high school and an adult school. For fiscal year 2021-22, the District has a budgeted enrollment of 9,189 students (including special education and continuing education students), and a projected average daily attendance (“ADA”) to be 8,857 students. The District serves a resident population of approximately 247,000 persons, and over 4,500 adults are served through the adult school. Taxable property within the District has a fiscal year 2020-21 assessed valuation of \$88,712,917,849.

The District is governed by a five-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. At-large elections for positions on the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other key personnel. Kevin Skelly, Ph.D. is the District’s current Superintendent.

See “TAX BASE FOR REPAYMENT OF BONDS” herein for more information regarding the District’s assessed valuation, and “DISTRICT FINANCIAL INFORMATION” and “SAN MATEO UNION HIGH SCHOOL DISTRICT” herein for more information regarding the District generally. The District’s audited financial statements for the fiscal year ended June 30, 2020 are attached hereto as APPENDIX B and should be read in their entirety.

In response to the spread of the novel coronavirus known as “COVID-19,” on March 13, 2020 the District made the initial decision to close all District schools. Schools remained closed through the balance of the 2019-20 school year and into a portion of the 2020-21 school year, and during such time the District transitioned to distance learning. The District concluded the 2020-21 school year providing in-person instruction, and the District expects to continue in-person instruction in the 2021-22 school

* Preliminary, subject to change.

year. However, the COVID-19 pandemic is ongoing, and the District is not able to predict the effect that it will have on the District's enrollment and ADA, or its operations or finances more generally. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein. See also "TAX BASE FOR REPAYMENT OF BONDS –Assessed Valuations" regarding risks related to outbreaks of disease and other factors that may affect the assessed value of property within the District.

Purpose of the Bonds

The Bonds are being issued by the District to (i) advance refund certain of the District's outstanding Election of 2010 General Obligation Bonds, Series 2015 (the "Prior Bonds"), and (ii) pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance

The Bonds are issued pursuant to certain provisions of the Government Code (the "Government Code") and pursuant to a resolution adopted by the District Board on August 12, 2021 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

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

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution. See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" and in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

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

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates as further described herein. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be dated as of their date of initial delivery (the “Date of Delivery”) and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each March 1 and September 1 of each year (each, a “Bond Payment Date”), commencing March 1, 2022. Principal of the Bonds is payable on September 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California (the “State”) personal income tax. See “TAX MATTERS” herein.

Offering and Delivery of the Bonds

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

Bond Owner’s Risks

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

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events. The specific nature of the information to be made available and of the notices of listed events is summarized below under “LEGAL MATTERS – Continuing Disclosure – Current Undertaking” herein and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS” attached hereto. These covenants have been made in order to assist Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”).

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Keygent LLC, El

Segundo, California, is acting as Municipal Advisor to the District with respect to the Bonds. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter with respect to the Bonds. In addition to acting as Paying Agent for the Bonds, The Bank of New York Mellon Trust Company, N.A. will act as Escrow Agent (defined herein) for the Refunded Bonds (as defined herein). Causey, Demgen & Moore, PC, Denver, Colorado, will act as Verification Agent (as defined herein) for the Refunded Bonds.

Stradling Yocca Carlson & Rauth, a Professional Corporation and Keygent LLC will receive compensation from the District contingent upon the sale and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds or the District.

Forward Looking Statements

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

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

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the San Mateo Union High School District, 650 North Delaware Street, San Mateo, California 94401, telephone: (650) 558-2299, attention: Associate Superintendent/Chief Business Officer. The District may impose a charge for copying, mailing and handling.

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional

provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each such documents, statutes and constitutional provisions.

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, commencing with Section 53550 *et seq.*, and other applicable law, and pursuant to the Resolution.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The County Board is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), upon all property within the District subject to taxation thereby for the payment of the principal of and interest on the Bonds when due. Such *ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve, and the District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein) for the Bonds created by the Resolution, which is segregated and maintained by the County and which is designated for the payment of the principal of and interest on the Bonds when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County Board is obligated to levy *ad valorem* property taxes for the payment of the Bonds, and the County will maintain the Debt Service Fund, the Bonds are not a debt of the County.

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

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market

decline in property values, outbreaks of disease or disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the “State”) and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, drought, fire, wildfire or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District’s assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution”, “TAX BASE FOR REPAYMENT OF BONDS”, and “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

Statutory Lien

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

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

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Beneficial Owners will not receive physical certificates representing their interests in the Bonds. The Bonds will be dated as of the Date of Delivery.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each Bond Payment Date, commencing March 1, 2022. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before February 15, 2022, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on September 1 in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day

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

Application and Investment of Bond Proceeds

Refunding Plan. The Bonds are being issued to (i) advance refund certain of the outstanding Prior Bonds, as further described below (so refunded, the “Refunded Bonds”), and (ii) pay the costs of issuing the Bonds. The tables below reflect information on the specific maturities of the Refunded Bonds.

REFUNDED BONDS*
San Mateo Union High School District
(San Mateo County, California)
Election of 2010 General Obligation Bonds, Series 2015A

| Maturity Date (August 1) | CUSIP[†] | Original Principal Amount | Principal to be Refunded | Date of Redemption | Redemption Price (% of Principal Amount) |
|---|--------------------------|--------------------------------------|-------------------------------------|-------------------------------|---|
|---|--------------------------|--------------------------------------|-------------------------------------|-------------------------------|---|

The net proceeds from the sale of the Bonds will be deposited with The Bank of New York Mellon Trust Company, N.A., acting as escrow agent (the “Escrow Agent”), to the credit of an escrow fund (the “Escrow Fund”) held pursuant to an escrow agreement, dated as of ____ 1, 2021 (the “Escrow Agreement”), by and between the District and the Escrow Agent. Pursuant to the Escrow Agreement, the amounts deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America (collectively, the “Federal Securities”), the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the redemption price of the Refunded Bonds on the respective first optional redemption date therefor, as well as the interest due on the Refunded Bonds on and prior to such date. Amounts deposited into the Escrow Fund under the Escrow Agreement are not available to pay any other obligations of the District.

* Preliminary, subject to change.

[†] (1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright(c) 2021 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Municipal Advisor, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to refund the Refunded Bonds as described above will be verified by Causey Demgen & Moore P.C., as verification agent (the “Verification Agent”). See “LEGAL MATTERS – Escrow Verification” herein. As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* property taxes for payment thereof will terminate.

Debt Service Fund. Any accrued interest and surplus moneys in the Escrow Fund following the redemption of the Refunded Bonds will be transferred to and accounted for in the debt service fund created by the Resolution (the “Debt Service Fund”) and used by the District only for payment of principal of and interest on the Bonds and for no other purpose. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued will be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. Pursuant to the Resolution, the District has pledged monies on deposit in the Debt Service Fund to the payment of the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts will be applied to pay debt service on other outstanding bonds of the District, and, if no such bonds are outstanding, transferred to the general fund of the District.

Expected Investment of Bond Proceeds. Funds on deposit in the Escrow Fund will be invested as described above. Moneys in the Debt Service Fund will be invested through the County’s pooled investment fund. See “APPENDIX E - SAN MATEO COUNTY TREASURY POOL” attached hereto.

[REMAINDER OF PAGE LEFT BLANK]

Annual Debt Service

The following table shows the annual debt service requirements of the Bonds (assuming no optional redemptions).

| <u>Year Ending Sept. 1</u> | <u>Annual Principal Payment</u> | <u>Annual Interest Payment⁽¹⁾</u> | <u>Total Debt Service</u> |
|------------------------------------|---|--|-----------------------------------|
|------------------------------------|---|--|-----------------------------------|

Total:

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

See also “SAN MATEO UNION HIGH SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds” herein for a full debt service schedule for all of the District’s general obligation bonded debt.

Redemption

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

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

| Redemption Date <u>(September 1)</u> | Principal <u>Amount</u> |
|---|--|
|---|--|

⁽¹⁾ Maturity.

In the event that a portion of the 20__ Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of principal amount, in respect of the portion of such 20__ Term Bonds optionally redeemed.

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

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

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail,

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

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

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

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

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

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

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

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in “—Defeasance,” such Redemption Notice will state that such redemption will be conditional upon the receipt

by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal, and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

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

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Municipal Advisor or the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest on, principal of or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and

pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with the Direct Participants, the "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. However, the information presented on such website is not incorporated herein by any reference.

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 Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date.

The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Paying Agent, DTC or the DTC Participant in connection with such transfers or exchanges.

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 the Owners thereof.

Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds

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

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

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

Any Bond may be exchanged for Bonds of like series, tenor, maturity and principal amount, upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only upon presentation and surrender of the Bonds at the designated office of the Paying Agent, together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor, series, and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

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

Defeasance

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

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

then, notwithstanding that any such maturities of Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such outstanding Bonds designated for defeasance shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), and obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the

obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed by S&P Global Ratings ("S&P") or Moody's Investors Service ("Moody's") at least as high as direct and general obligations of the United States of America.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
Original Issue [Premium/Discount]
Total Sources

Uses of Funds

Costs of Issuance⁽¹⁾
Underwriter's Discount
Deposit to Escrow Fund
Total Uses

⁽¹⁾ Reflects all costs of issuance, including but not limited to credit rating fees, printing costs, legal and Municipal Advisory fees, County fees, and the costs and fees of the Paying Agent. See also "MISCELLANEOUS – Underwriting" herein.

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TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem property taxes. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a minimum 10% penalty attaches to any delinquent installment plus a \$10 cost on the second installment, plus any additional amount determined by the County Treasurer-Tax Collector (the "Treasurer"). Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a minimum \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. Information regarding District-wide tax delinquencies is not currently available. See also "—Alternative Method of Tax Apportionment – Teeter Plan" herein.

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

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

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

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the State Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein.

Property within the District has a total assessed valuation for fiscal year 2020-21 of \$88,712,917,849. The following table shows a 10-year history of assessed valuations in the District, as of the date the equalized assessment tax roll is established in August of each year, excluding any exemptions granted after such date in each year.

ASSESSED VALUATIONS
Fiscal Years 2011-12 through 2020-21
San Mateo Union High School District

| <u>Fiscal Year</u> | <u>Secured</u> | <u>Utility</u> | <u>Unsecured</u> | <u>Total</u> | <u>% Change</u> |
|---------------------------|-----------------------|-----------------------|-------------------------|---------------------|------------------------|
| 2011-12 | \$45,236,955,155 | \$3,454,955 | \$3,977,828,115 | \$49,218,238,225 | -- |
| 2012-13 | 46,711,026,625 | 6,900,384 | 4,456,777,659 | 51,174,704,668 | 3.98% |
| 2013-14 | 49,987,671,451 | 7,745,949 | 4,546,979,354 | 54,542,396,754 | 6.58 |
| 2014-15 | 53,274,887,560 | 6,845,901 | 4,751,989,828 | 58,033,723,289 | 6.40 |
| 2015-16 | 57,571,265,019 | 8,601,507 | 4,962,270,118 | 62,542,136,644 | 7.77 |
| 2016-17 | 62,281,301,233 | 5,979,082 | 4,994,115,792 | 67,281,396,107 | 7.58 |
| 2017-18 | 66,952,947,799 | 5,979,051 | 5,724,871,148 | 72,683,797,998 | 8.03 |
| 2018-19 | 71,798,735,064 | 5,979,010 | 6,115,287,593 | 77,920,001,667 | 7.20 |
| 2019-20 | 77,165,190,971 | 7,303,063 | 6,353,619,030 | 83,526,113,064 | 7.19 |
| 2020-21 | 83,209,896,708 | 7,303,050 | 5,495,718,091 | 88,712,917,849 | 6.21 |

Source: California Municipal Statistics, Inc. (except for the percent change column which was calculated by the Municipal Advisor).

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

Seismic Events. Portions of the District are located within hazard areas identified by the Tsunami Hazard Area Map (“THAP”) for the County. THAPs are produced jointly by the California Geological

Survey (the “CGS”) and the Governor’s Office of Emergency Services to assist cities and counties identify potential areas of inundation and other damage related to a tsunami event. The District is also located in the San Francisco Bay Area, a seismically active region of the State, into which extend three major earthquake faults that comprise the San Andreas fault system (San Andreas Fault, Hayward Fault and Calaveras Fault). As a result, portions of the District are located within earthquake hazard zones produced by the CGS that have identified possible liquefaction and landslide hazards. An earthquake of large magnitude or tsunami could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region’s economy.

Drought. In recent years California has experienced severe drought conditions. In January of 2014, the Governor declared a statewide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history, the State’s river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. Following the Governor’s declaration, the California State Water Resources Control Board (the “Water Board”) issued a statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. In April 2021, the Governor announced regional drought emergencies in two Northern California counties following two years of dry conditions. On May 10, 2021, the Governor expanded the emergency drought declaration to include an additional 39 counties throughout the State. On July 8, 2021 the Governor expanded the declaration to further include an additional nine counties, including the County.

Sea Level Rise. The County initiated a study of the vulnerability of land in the County to risks resulting from potential sea level rise. The study was completed in March 2018 and titled “County of San Mateo Sea Level Rise Vulnerability Assessment” (the “Assessment”). The Assessment references and finds risk of potential impacts to property in the County in the event of various sea level rise and coastal erosion scenarios. The Assessment concludes that if the sea level were to rise to specific levels, the resulting flooding could damage infrastructure and property in the County. The Assessment identified the assessed value of parcels within several of the cities served by the District that could be flooded in the event of the sea rise scenario. The Assessment is available on the County website (<http://seachangesmc.com/vulnerability-assessment/>); however, neither the Assessment nor the County’s website is incorporated by reference herein. The District is unable to predict whether sea level rise, or associated impacts thereof, will occur, and if any such events occur, whether they will have a material adverse effect on the assessed valuation of property within the District, the financial condition of the District or more generally the region’s economy.

Wildfires. Major wildfires have occurred in recent years in different regions of the State, including significant fires throughout the fall of 2020. The District did not sustain any property losses as a result of these recent fires. However, serious and significant property damage has resulted in other areas of the State due to fire damage. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates.

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. The County Assessor may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth

less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

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

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

No assurance can be given that property tax appeals currently pending or in the future, actions by the County assessor, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE has only heard appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear tax appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities.

Assessed Valuation by Jurisdiction. The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2020-21 assessed valuation.

ASSESSED VALUATION BY JURISDICTION

Fiscal Year 2020-21

San Mateo Union High School District

| Jurisdiction: | Assessed Valuation in District | % of District | Assessed Valuation of Jurisdiction | % of Jurisdiction in District |
|---------------------------------|---|--------------------------|---|--|
| City of Burlingame | \$13,105,761,505 | 14.77% | \$13,105,761,505 | 100.00% |
| City of Foster City | 12,869,669,546 | 14.51 | 12,884,453,380 | 99.89 |
| Town of Hillsborough | 11,339,091,973 | 12.78 | 11,339,091,973 | 100.00 |
| City of Millbrae | 6,309,946,651 | 7.11 | 6,309,946,651 | 100.00 |
| City of San Bruno | 8,728,423,800 | 9.84 | 8,979,062,783 | 97.21 |
| City of San Mateo | 30,278,776,357 | 34.13 | 30,909,521,475 | 97.96 |
| Unincorporated San Mateo County | <u>6,081,248,017</u> | <u>6.85</u> | 23,385,436,658 | 26.00 |
| Total District | \$88,712,917,849 | 100.00% | | |
| San Mateo County | \$88,712,917,849 | 100.00% | \$256,042,645,591 | 34.65% |

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2020-21.

ASSESSED VALUATION AND PARCELS BY LAND USE

Fiscal Year 2020-21

San Mateo Union High School District

| | 2020-21 Assessed Valuation⁽¹⁾ | % of Total | No. of Parcels | % of Total | No. of Taxable Parcels | % Total |
|---------------------------------|---|-----------------------|---------------------------|-----------------------|-----------------------------------|--------------------|
| Non-Residential: | | | | | | |
| Agricultural/Rural | \$48,188,325 | 0.06% | 13 | 0.02% | 8 | 0.01% |
| Commercial/Office Building | 11,834,151,932 | 14.22 | 2,659 | 3.58 | 2,641 | 3.63 |
| Industrial | 3,647,847,549 | 4.38 | 544 | 0.73 | 538 | 0.74 |
| Recreational | 268,337,984 | 0.32 | 560 | 0.76 | 387 | 0.53 |
| Government/Social/Institutional | 374,963,165 | 0.45 | 388 | 0.52 | 238 | 0.33 |
| Miscellaneous | <u>151,903,834</u> | <u>0.18</u> | <u>441</u> | <u>0.59</u> | <u>308</u> | <u>0.42</u> |
| Subtotal Non-Residential | \$16,325,392,789 | 19.62% | 4,605 | 6.21% | 4,120 | 5.66% |
| Residential: | | | | | | |
| Single Family Residence | \$48,995,940,695 | 58.88% | 50,067 | 67.50% | 50,043 | 68.77% |
| Condominium/Townhouse | 7,296,562,094 | 8.77 | 12,791 | 17.25 | 12,772 | 17.55 |
| Hotel/Motel | 1,275,680,547 | 1.53 | 63 | 0.08 | 63 | 0.09 |
| 2-4 Residential Units | 2,342,834,890 | 2.82 | 3,037 | 4.09 | 3,035 | 4.17 |
| 5+ Residential Units/Apartments | 6,390,047,941 | 7.68 | 2,323 | 3.13 | 2,183 | 3.00 |
| Miscellaneous Residential | <u>148,216,009</u> | <u>0.18</u> | <u>566</u> | <u>0.76</u> | <u>241</u> | <u>0.33</u> |
| Subtotal Residential | \$66,449,282,176 | 79.86% | 68,847 | 92.82% | 68,337 | 93.91% |
| Vacant Parcels | \$435,221,743 | 0.52% | 720 | 0.97% | 311 | 0.43% |
| Total | \$83,209,896,708 | 100.00% | 74,172 | 100.00% | 72,768 | 100.00% |

⁽¹⁾ Local secured assessed valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2020-21 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2020-21
San Mateo Union High School District

| | <u>Parcels</u> | <u>2020-21 Assessed Valuation</u> | <u>Average Assessed Valuation</u> | <u>Median Assessed Valuation</u> |
|---------------------------|----------------|---------------------------------------|---------------------------------------|--------------------------------------|
| Single Family Residential | 50,043 | \$48,995,940,695 | \$979,077 | \$718,262 |

| <u>2020-21 Assessed Valuation</u> | <u>No. of Parcels⁽¹⁾</u> | <u>% of Total</u> | <u>Cumulative % of Total</u> | <u>Total Valuation</u> | <u>% of Total</u> | <u>Cumulative % of Total</u> |
|---------------------------------------|---|-----------------------|----------------------------------|----------------------------|-----------------------|----------------------------------|
| \$0 - \$99,999 | 1,882 | 3.761% | 3.761% | \$159,701,173 | 0.326% | 0.326% |
| 100,000 - 199,999 | 6,114 | 12.217 | 15.978 | 864,039,457 | 1.763 | 2.089 |
| 200,000 - 299,999 | 3,158 | 6.311 | 22.289 | 790,179,917 | 1.613 | 3.702 |
| 300,000 - 399,999 | 3,518 | 7.030 | 29.319 | 1,233,936,890 | 2.518 | 6.221 |
| 400,000 - 499,999 | 3,426 | 6.846 | 36.165 | 1,539,615,655 | 3.142 | 9.363 |
| 500,000 - 599,999 | 3,265 | 6.524 | 42.689 | 1,794,259,955 | 3.662 | 13.025 |
| 600,000 - 699,999 | 3,054 | 6.103 | 48.792 | 1,983,505,473 | 4.048 | 17.073 |
| 700,000 - 799,999 | 2,910 | 5.815 | 54.607 | 2,180,445,713 | 4.450 | 21.524 |
| 800,000 - 899,999 | 2,728 | 5.451 | 60.058 | 2,317,430,297 | 4.730 | 26.253 |
| 900,000 - 999,999 | 2,649 | 5.293 | 65.352 | 2,513,262,051 | 5.130 | 31.383 |
| 1,000,000 - 1,099,999 | 2,297 | 4.590 | 69.942 | 2,408,056,203 | 4.915 | 36.298 |
| 1,100,000 - 1,199,999 | 1,809 | 3.615 | 73.557 | 2,076,733,746 | 4.239 | 40.536 |
| 1,200,000 - 1,299,999 | 1,582 | 3.161 | 76.718 | 1,975,447,304 | 4.032 | 44.568 |
| 1,300,000 - 1,399,999 | 1,354 | 2.706 | 79.424 | 1,824,490,005 | 3.724 | 48.292 |
| 1,400,000 - 1,499,999 | 1,363 | 2.724 | 82.147 | 1,973,604,109 | 4.028 | 52.320 |
| 1,500,000 - 1,599,999 | 1,081 | 2.160 | 84.307 | 1,675,618,449 | 3.420 | 55.740 |
| 1,600,000 - 1,699,999 | 910 | 1.818 | 86.126 | 1,499,682,918 | 3.061 | 58.801 |
| 1,700,000 - 1,799,999 | 807 | 1.613 | 87.739 | 1,411,060,995 | 2.880 | 61.681 |
| 1,800,000 - 1,899,999 | 646 | 1.291 | 89.029 | 1,195,328,568 | 2.440 | 64.120 |
| 1,900,000 - 1,999,999 | 587 | 1.173 | 90.202 | 1,143,234,010 | 2.333 | 66.454 |
| 2,000,000 and greater | <u>4,903</u> | <u>9.798</u> | 100.000 | <u>16,436,307,807</u> | <u>33.546</u> | 100.000 |
| | 50,043 | 100.000% | | \$48,995,940,695 | 100.000% | |

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

Tax Levies, Collections and Delinquencies

Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year, and if unpaid, become delinquent after December 10 and April 10, respectively. A 10% penalty attaches to any delinquent installment plus a minimum \$10 cost on the second installment, plus any additional amount determined by the Treasurer. See “— *Ad Valorem* Property Taxation” herein. Pursuant to Revenue and Taxation Code (the “Revenue and Taxation Code”) Section 2619, the County Board adopted a resolution which closed the County’s offices for business on April 10th, and thereby extending the date by which property taxes became delinquent to May 4, 2020.

Pursuant to Revenue and Taxation Code Section 4985.2, the Treasurer may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer’s control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due. See “— Alternative Method of Tax Apportionment - ‘Teeter Plan’” and “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

The following table shows secured *ad valorem* property tax levies within the District for the repayment of the District’s outstanding general obligation bonds, and amounts delinquent as of June 30, for fiscal years 2010-11 through 2019-20.

SECURED TAX CHARGES AND DELINQUENCIES

Fiscal Years 2010-11 through 2019-20

San Mateo Union High School District

| | Secured <u>Tax Charge</u> ⁽¹⁾ | Amount Delinquent <u>June 30</u> | % Delinquent <u>June 30</u> |
|---------|---|-------------------------------------|--------------------------------|
| 2010-11 | \$14,298,516.62 | \$160,294.55 | 1.12% |
| 2011-12 | 17,194,796.78 | 148,882.84 | 0.87 |
| 2012-13 | 17,675,340.87 | 116,473.26 | 0.66 |
| 2013-14 | 17,654,560.60 | 87,457.64 | 0.50 |
| 2014-15 | 25,184,725.42 | 141,263.34 | 0.56 |
| 2015-16 | 26,701,180.50 | 114,116.94 | 0.43 |
| 2016-17 | 25,746,290.38 | 146,681.45 | 0.57 |
| 2017-18 | 28,865,389.40 | 174,710.11 | 0.61 |
| 2018-19 | 29,359,518.33 | 205,691.58 | 0.70 |
| 2019-20 | 29,632,818.63 | 266,865.76 | 0.90 |

⁽¹⁾ Reflects taxes collected for the repayment of the District’s general obligation bonds.

Source: *California Municipal Statistics, Inc.*

Alternative Method of Tax Apportionment - Teeter Plan

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

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

The County Board has approved the implementation of the Teeter Plan. Under the Teeter Plan, the County funds the District its full secured property tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments when the late taxes are collected. The County includes the District’s 1% general purpose secured property tax levy and the secured *ad valorem* property tax levy for the District’s general obligation bonds, including the Bonds, under the Teeter Plan.

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

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a “TRA”) within the City of San Mateo portion of the District during the period from fiscal years 2016-17 through 2020-21.

SUMMARY OF *AD VALOREM* TAX RATES (TRA 12-001)⁽¹⁾

Fiscal Years 2016-17 through 2020-21

San Mateo Union High School District

| | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> | <u>2020-21</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| General | 1.0000% | 1.0000% | 1.0000% | 1.0000% | 1.0000% |
| City of San Mateo Bond | .0090 | .0084 | .0077 | .0071 | .0067 |
| San Mateo-Foster City School District Bond | .0546 | .0542 | .0530 | .0437 | .0462 |
| San Mateo Union High School District Bond | .0415 | .0433 | .0407 | .0385 | .0449 |
| San Mateo Community College District Bond | <u>.0247</u> | <u>.0235</u> | <u>.0175</u> | <u>.0266</u> | <u>.0213</u> |
| Total | 1.1298% | 1.1294% | 1.1189% | 1.1159% | 1.1191% |

⁽¹⁾ The fiscal year 2020-21 assessed valuation of TRA 12-001 was \$24,802,627,659, reflecting 27.96% of the District’s total fiscal year 2020-21 assessed valuation.

Source: *California Municipal Statistics, Inc.*

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Principal Taxpayers

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 a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2020-21 secured assessed valuations. 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.

LARGEST LOCAL SECURED TAXPAYERS

Fiscal Year 2020-21

San Mateo Union High School District

| | <u>Property Owner</u> | <u>Primary Land Use</u> | <u>2020-21 Assessed Valuation</u> | <u>% of Total⁽¹⁾</u> |
|-----|---|-------------------------|---------------------------------------|-------------------------------------|
| 1. | Gilead Sciences Inc. | Industrial | \$2,524,622,823 | 3.03% |
| 2. | Google Inc. | Office Building | 735,979,711 | 0.88 |
| 3. | Burlingame Point LLC | Office Building | 705,474,139 | 0.85 |
| 4. | Franklin Templeton Corporate Services Inc. | Office Building | 486,954,745 | 0.59 |
| 5. | Bay Meadows Station 2, 3 & 4 Investors, LLC | Office Building | 440,556,131 | 0.53 |
| 6. | Essex Portfolio LP | Apartments | 367,962,964 | 0.44 |
| 7. | BMR Lincoln Center LP | Industrial | 358,850,195 | 0.43 |
| 8. | HSC Holdings | Shopping Center | 352,698,808 | 0.42 |
| 9. | Hudson Metro Center LLC, Lessee | Office Building | 348,863,922 | 0.42 |
| 10. | 2000 Sierra Point Parkway LC | Office Building | 326,400,000 | 0.39 |
| 11. | 1825 SG Corporation | Office Building | 274,380,000 | 0.33 |
| 12. | Visa USA Inc. | Office Building | 266,377,089 | 0.32 |
| 13. | HG Clearview Owner LLC | Office Building | 229,794,123 | 0.28 |
| 14. | HMC Burlingame Hotels LLC | Hotel | 229,664,025 | 0.28 |
| 15. | HG Clearview Owner LLC | Office Building | 225,796,850 | 0.27 |
| 16. | ASN Bay Meadows I LLC & Bay Meadows II LLC | Apartments | 220,321,603 | 0.26 |
| 17. | BEX FMCA LLC | Apartments | 196,156,804 | 0.24 |
| 18. | Crystal Springs Associates | Apartments | 191,388,713 | 0.23 |
| 19. | Rakuten CHW LLC | Office Building | 190,585,235 | 0.23 |
| 20. | Hospitality Investment LLC, Lessee | Hotel | 181,794,401 | 0.22 |
| | | | <u>\$8,854,622,281</u> | <u>10.64%</u> |

⁽¹⁾ The District's fiscal year 2020-21 local secured assessed valuation is \$83,209,896,708.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. effective as of _____, 2021. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

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STATEMENT OF DIRECT AND OVERLAPPING DEBT
San Mateo Union High School District

2020-21 Assessed Valuation: \$88,712,917,849

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | <u>% Applicable</u> | <u>Debt 8/1/21</u> |
|--|----------------------------|------------------------------------|
| San Mateo Community College District | 34.648% | \$263,777,289 |
| San Mateo Union High School District | 100.000 | 680,210,648⁽¹⁾ |
| Burlingame School District | 100.000 | 163,365,917 |
| Hillsborough School District | 100.000 | 73,579,471 |
| Millbrae School District | 100.000 | 47,749,527 |
| San Bruno Park School District | 100.000 | 49,319,579 |
| San Mateo-Foster City School District | 100.000 | 405,668,474 |
| City of Foster City | 99.885 | 81,011,729 |
| City of Millbrae | 100.000 | 7,755,000 |
| City of San Mateo | 97.959 | 15,810,583 |
| City of San Mateo Community Facilities District No. 2008-1 | 100.000 | 83,645,000 |
| Midpeninsula Regional Open Space Park District | 0.006 | 5,184 |
| California Statewide Community Development Authority Assessment District 1915 Act Bonds | 100.000 | 2,415,497 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | \$1,874,313,898 |
| <u>OVERLAPPING GENERAL FUND DEBT:</u> | | |
| San Mateo County General Fund Obligations | 34.648% | \$162,588,978 |
| San Mateo County Board of Education Certificates of Participation | 34.648 | 2,369,923 |
| San Mateo County Flood Control District Certificates of Participation | 5.328 | 781,884 |
| San Bruno Park School District Lease Revenue Bonds | 100.000 | 2,145,000 |
| City of Burlingame Certificates of Participation | 100.000 | 37,870,000 |
| City of Burlingame Pension Obligation Bonds | 100.000 | 7,450,000 |
| City of Millbrae General Fund and Pension Obligation Bonds | 100.000 | 5,029,186 |
| City of San Bruno Pension Obligation Bonds | 97.209 | 6,007,516 |
| City of San Mateo General Fund Obligations | 97.959 | 62,443,965 |
| Highlands Recreation District General Fund Obligations | 100.000 | 2,294,000 |
| Midpeninsula Regional Open Space Park General Fund Obligations | 0.006 | 6,360 |
| TOTAL GROSS OVERLAPPING GENERAL FUND DEBT | | \$288,986,812 |
| Less: City of Burlingame General Fund and Pension Obligations supported by enterprise revenues | | 1,862,500 |
| City of San Mateo supported by enterprise revenues | | 13,773,035 |
| Highlands Recreation District General Fund Obligations supported by enterprise revenues | | 1,789,320 |
| TOTAL NET OVERLAPPING GENERAL FUND DEBT | | \$271,561,957 |
| <u>OVERLAPPING TAX INCREMENT DEBT:</u> | | |
| Successor Agency to Millbrae Redevelopment Agency | 100.000% | \$5,100,000 |
| Successor Agency to San Bruno Redevelopment Agency | 100.000 | 4,055,000 |
| Successor Agency to San Mateo Redevelopment Agency | 100.000 | 43,435,000 |
| TOTAL OVERLAPPING TAX INCREMENT DEBT | | \$52,590,000 |
| GROSS COMBINED TOTAL DEBT | | \$2,215,890,710 ⁽²⁾ |
| NET COMBINED TOTAL DEBT | | \$2,198,465,855 |

Ratios to 2020-21 Assessed Valuation:

| | |
|---|-------|
| Direct Debt (\$680,210,648) | 0.77% |
| Total Direct and Overlapping Tax and Assessment Debt..... | 2.11% |
| Gross Combined Total Debt..... | 2.50% |
| Net Combined Total Debt | 2.48% |

Ratios to Redevelopment Incremental Assessed Valuation (\$5,519,466,540):

| | |
|--------------------------------------|-------|
| Total Overlapping Tax Increment Debt | 0.95% |
|--------------------------------------|-------|

⁽¹⁾ Excludes the Bonds described herein, but includes the Refunded Bonds.

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. (See “THE BONDS – Security and Sources of Payment” herein) Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and to the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds.

Article XIII A of the California Constitution

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

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

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

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 “situation.” Any such allocation made to a local agency continues as part of its allocation in future years.

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is a community funded district, taxes lost through any reduction in assessed valuation will not be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION” herein.

Proposition 50 and Proposition 171

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

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

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

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

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

Proposition 19

On November 3, 2020, voters in California approved Proposition 19, a legislatively referred constitutional amendment (“Proposition 19”), which amends Article XIII A to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on District revenues or the assessed valuation of real property in the District.

Article XIII B of the California Constitution

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

and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines:

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

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

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

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

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

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

Proposition 26

On November 2, 2010, State voters approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the

judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIC and Article XIID of the California Constitution

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

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

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

Propositions 98 and 111

On November 8, 1988, State voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases

in enrollment and changes in the cost of living. The Accountability Act permits the State legislature to suspend this formula for a one-year period.

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into K-14 school district base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) first, all appropriations for "qualified capital outlay projects" as defined by the Legislature are excluded, and (ii) second, any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These

latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" (also referred to as a "maintenance factor") to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the 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 Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property, and 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 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election would not

exceed \$60 (for a unified school district), \$30 (for a high school, such as the District, or elementary school district), or \$25 (for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. See “— Article XIII A of the California Constitution” herein.

Proposition 1A and Proposition 22

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

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

Jarvis vs. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District’s budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized

under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 55

The California Children’s Education and Health Care Protection Act of 2016 (also known as “Proposition 55”) is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111” herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

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

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

SB 858. Senate Bill 858 (“SB 858”) became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code or (b) for school districts with an ADA that is more than

400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

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

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

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

Future Initiatives

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

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds shall be payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

State Funding of Education

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

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on uniform system of funding grants assigned to certain grade spans, as described below. See "—Local Control Funding Formula" herein. The table on the following page reflects the District's historical ADA, the revenue limit rates per unit of ADA, and enrollment for fiscal years 2003-04 through 2012-13.

AVERAGE DAILY ATTENDANCE, REVENUE LIMIT AND ENROLLMENT Fiscal Years 2003-04 through 2012-13 San Mateo Union High School District

| <u>Fiscal Year</u> | <u>ADA⁽¹⁾</u> | <u>Revenue Limit Per ADA⁽²⁾</u> | <u>Enrollment⁽³⁾</u> |
|--------------------|--------------------------|--|---------------------------------|
| 2003-04 | 8,038 | \$5,680.60 | 8,250 |
| 2004-05 | 7,992 | 5,817.14 | 8,351 |
| 2005-06 | 8,139 | 6,060.13 | 8,502 |
| 2006-07 | 8,089 | 6,416.60 | 8,605 |
| 2007-08 | 8,128 | 6,706.59 | 8,626 |
| 2008-09 | 8,128 | 7,385.60 | 8,549 |
| 2009-10 | 8,015 | 7,385.60 | 8,478 |
| 2010-11 | 8,095 | 7,356.60 | 8,434 |
| 2011-12 | 7,925 | 7,520.60 | 8,193 |
| 2012-13 | 7,862 | 7,763.60 | 8,191 |

Note: All amounts are rounded to the nearest whole number.

(1) Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. Includes ADA in County operated programs.

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

(3) Enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
Source: San Mateo Union High School District.

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

The primary component of AB 97 was the implementation of the Local Control Funding Formula (“LCFF”), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a “Base Grant”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF occurred over a period of several fiscal years, concluding with the adoption of the State budget for fiscal year 2018-19. Beginning in fiscal year 2013-14, an annual transition adjustment was calculated for each school district, equal to such district’s proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also “—State Budget Measures” for information on the adjusted Base Grants provided by current budgetary legislation.

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

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a “Supplemental Grant”) for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 65% of the applicable Base Grant multiplied the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The table below shows the District's ADA, enrollment, and the percentage of EL/LI student enrollment for fiscal years 2013-14 through 2020-21 and projected amounts for fiscal year 2021-22.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE

Fiscal Years 2013-14 through 2021-22

San Mateo Union High School District

| Fiscal Year | <u>ADA</u>⁽¹⁾ | <u>Enrollment</u>⁽²⁾ | <u>% of EL/LI Enrollment</u>⁽²⁾ |
|------------------------|---------------------------------|--|---|
| 2013-14 | 7,819 | 8,163 | 26% |
| 2014-15 | 7,841 | 8,185 | 27 |
| 2015-16 | 8,070 | 8,366 | 26 |
| 2016-17 | 8,268 | 8,690 | 25 |
| 2017-18 | 8,381 | 8,932 | 26 |
| 2018-19 | 8,472 | 9,020 | 28 |
| 2019-20 | 8,708 | 9,314 | 29 |
| 2020-21 | 8,821 | 9,189 | 28 |
| 2021-22 ⁽³⁾ | 8,857 | 9,141 | 28 |

(1) Except for fiscal year 2021-22, reflects P-2 ADA. For the 2019-20 school year, due to the outbreak of COVID-19, P-2 ADA only reflects full school months from July 1, 2019 through February 29, 2020. See “-Considerations Regarding COVID-19” herein.

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

(3) Projected.

Source: San Mateo Union High School District.

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

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

Community Funded Districts. Certain school districts, known as “community funded” districts

(also previously referred to as “basic aid” districts), have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Community funded school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for community funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District currently qualifies as a community funded district. For fiscal years 2019-20 and 2020-21, the District’s local property tax receipts exceeded the District’s total LCFF allocation by approximately \$61.4 million and \$73.0 million, respectively. For fiscal year 2021-22, the District currently projects that local property tax receipts will exceed the District’s total LCFF allocation by approximately \$70.9 million.

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

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs covering a three year period were first required to be adopted in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has developed and adopted a template LCAP for use by school districts.

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

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

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

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

Other Revenue Sources

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

Developer Fees. The District currently levies impact fees (the “Developer Fees”) on residential development within the District. The Developer Fees are accounted for within the District’s Deferred Maintenance Fund. For fiscal years 2017-18 through 2020-21 the District received \$1,722,799, \$997,321, \$639,700 and \$1,785,298, respectively, in Developer Fees. For fiscal year 2021-22, the District has projected the receipt of \$650,000 in Developer Fees. The District can make no representations that Developer Fees will continue to be received by the District in amounts consistent with prior years, or as currently budgeted.

Pass-Through Revenues. The District has historically received pass-through tax increment revenue (the “Pass-Through Revenues”) from the successor agencies to the Foster City Community Development Agency, the Millbrae Redevelopment Agency, the San Bruno Redevelopment Agency, and the Redevelopment Agency of the City of San Mateo. The Pass-Through Revenues received by the District are deposited into the District’s general fund. For fiscal years 2017-18 through 2020-21 the District received 3,923,310, \$4,380,113, \$4,642,200 and \$5,428,351, respectively in Pass-Through Revenues. As a matter of practice, the District does not budget the receipt of Pass-Through Revenues in any year.

Considerations Regarding COVID-19

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

The spread of COVID-19 is having significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations was to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for the then-expected wider spread of the virus. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed by the President of the United States. The CARES Act appropriated over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments. On December 27, 2020, the President of the United States signed the Coronavirus Relief and Response Supplemental Appropriations Act, 2021 (“CRRSA”), which included approximately \$900 billion worth of provisions for additional COVID-related relief, including extension of or additional funding for various relief programs implemented by the CARES Act. The CRRSA provided approximately \$82 billion of COVID-19 related relief for education, including \$54.3 billion for K-12 schools (largely through Title I funding), \$22.7 billion for higher education and \$4 billion for state governors to spend at their discretion. See also “DISTRICT FINANCIAL INFORMATION —State Budget Measures” herein. On March 12, 2021, the President signed the American Rescue Plan Act of 2021 (the “American Rescue Plan”), which provides approximately \$1.9 trillion in federal economic stimulus intended to accelerate the recovery from the COVID-19 pandemic. The American Rescue Plan provides direct payments to individuals, extends unemployment benefits, provides funding to distribute COVID-19 vaccines and provides funding for schools, higher education institutions, state, tribal governments and businesses.

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

In response to the COVID-19 pandemic, on March 17, 2020, Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”) were signed by the Governor, both of which took effect immediately. SB 89 amended the Budget Act of 2019 by appropriating \$500,000,000 from the State general fund for any purpose related to the Governor’s March 4, 2020 emergency proclamation. SB 117, among other things, (i) specified that for school districts that comply with Executive Order N-26-20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevented the loss of funding related to an instructional time penalty because of a school closed due to the COVID-19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID-19, (iii) required a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID-19, and (iv) appropriated

\$100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites.

The District has received approximately \$5.4 million of COVID-related relief grants, from both State and federal sources, of which the District has spent approximately \$4.5 million on a variety of purposes, including learning loss-mitigation, staff training, technology and equipment.

On March 19, 2020, the Governor ordered all California residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the “Stay Home Order”). The District closed its schools commencing March 12, 2020, and extended this closure through the end of the 2019-20 school year and into the beginning of the 2020-21 school year. During such periods of closure the District implemented distance learning programs for its students. The District Board has adopted a three phase re-opening plan, further discussed herein, and finished the 2020-21 school year by providing in-person instruction.

To date there have been a number of confirmed cases of COVID-19 in the County and no representation can be made as to whether the number of cases will grow. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the District’s schools). The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

On May 4, 2020, the Governor enacted Executive Order N-60-20 (“Executive Order N-60-20”), which directed the State Public Health Officer to establish criteria to determine whether and how particular local jurisdictions may implement public health measures that are less restrictive than statewide directives, as the State transitions from Stage 1 to Stage 2, and then Stage 3 of reopening. The order provided that stages would be phased in gradually, and counties which met readiness criteria and worked with the State Department of Public Health could open more public spaces and workplaces, as outlined by the State, with variances allowed by county. Pursuant to Executive Order N-60-20, local jurisdictions could issue their own public health measures to slow the spread of COVID-19.

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

On August 28, 2020, the Governor released a revised system of guidelines for reopening – “Blueprint for a Safer Economy” (the “Blueprint”). The Blueprint placed each of the State’s 58 counties into four color-coded tiers - purple, red, orange and yellow - in descending order of severity, based on the number of new daily cases of COVID-19 and the percentage of positive tests. Counties were required to remain in a tier for at least three weeks before advancing to the next one. To move forward, a county was

required to meet the next tier's criteria for two consecutive weeks. If a county's case rate and positivity rate fell into different tiers, the county remained in the stricter tier. The County was last in the orange tier.

Under the Blueprint, schools could reopen for in-person instruction in accordance with the California Department of Public Health's "COVID-19 and Reopening In-Person Instruction Framework & Public Health Guidance for K-12 Schools in California, 2020-2021 School Year" (the "Guidelines"). The Guidelines consolidated and updated prior State public health guidance and orders related to schools. Pursuant to the Guidelines, prior to reopening for in-person instruction, all schools were required to complete and post to their website a COVID-19 Safety Plan ("CSP"), and, if in the purple tier, submit the CSP to the local health department and the State Safe Schools for All Team. Schools in the red, orange and yellow tiers could reopen for in-person instruction at all grades. Schools serving grades 7-12 in the purple tier could not reopen for in-person instruction. Schools serving grades K-6 could open for in-person instruction in the purple tier if the adjusted case rate was less than 25 cases per 100,000 of population. Schools had a three-week period to open, starting the day the county met the criterion for reopening, even if the county stops meeting the criterion during that window. If a school opened while the county was in the red, orange, or yellow tier, and the county reverted to the purple tier, or if a school opened while the county was in the purple tier, and the county case rate later exceeded the criteria described above, individual school sites could not be required to close. K-6 schools in the purple tier that had received a waiver under previous guidance from the State and had subsequently begun their reopening of in-person instruction could also continue to offer in-person instruction.

The District Board adopted a re-opening plan which took effect once the County entered the red tier. Specifically, the plan provided for a three-phased approach to reopening District schools. Phase 1 included specialized programs for specific students with disabilities. These programs were permitted start in-person instruction 14 days after the County entered and remained in the red tier. Phase 2 added the Bridge program for newcomers, Peninsula Continuation High School, the Middle College program, and various voluntary enrichment programs. These programs could start in-person instruction no earlier than 14 days after the start of Phase 1. Phase 3 allowed all students who opt for in-person instruction to return to all campuses no earlier than five days after the County entered the orange tier and no earlier than five days after the start of Phase 2. Currently, the District expects its schools to be fully open in the fall of 2021 for in-person instruction of all students.

The District will continue to evaluate the State's school reopening guidelines and will consult with local health officials and the State's school reopening guidelines in implementing the District's plans for the current and coming academic year.

On June 11, 2021, the Governor issued two executive orders. The first order rescinded several previous executive orders effective June 15, 2021, including the Stay Home Order and the order that led to the establishment of the Blueprint. The second order began the process of winding down the State's COVID 19-related executive orders in several phases: by June 30, 2021 (including most of Order N-26-20); by July 31, 2021; and by September 30, 2021. Under the order's timeline, by September 30, 2021, nearly 90% of the executive actions taken since March 2020 will have been lifted. In addition, on June 11, 2021, the California Department of Public Health issued an order was to take effect on June 15, 2021. The order replaced the previous public health orders, allowing all sectors to return to usual operations, with limited exceptions for events characterized by large crowds (greater than 5,000 attendees indoors and 10,000 attendees outdoors), which will require (indoors) or recommend (outdoors) vaccine verification and/or negative testing through October 1, 2021. Face coverings are required in certain settings, such as on public transit, indoors in schools and childcare settings, and in healthcare settings, as well as, for unvaccinated individuals, in all indoor public settings and businesses. Additionally, Californians are required to follow existing guidance for K-12 schools, childcare programs, and other

supervised youth activities.

Other potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the volatility in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years. See "SAN MATEO UNION HIGH SCHOOL DISTRICT – District Retirement Systems" herein.

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

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

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 Education Code Section 41010, is to be followed by all California school districts.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year-end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2020 and prior fiscal years are on file with the District and available for public inspection at the San Mateo Union High School District, 650 North Delaware Street, San Mateo, California 94401, telephone: (650) 558-2299. The audited financial statements for the year ended June 30, 2020, are included in APPENDIX B hereto. The table below shows the District's audited general fund revenues, expenditures and fund balances from fiscal year 2015-16 to fiscal year 2019-20.

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AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES⁽¹⁾
Fiscal Years 2015-16 through 2019-20
San Mateo Union High School District

| | <u>Fiscal Year 2015-16</u> | <u>Fiscal Year 2016-17</u> | <u>Fiscal Year 2017-18</u> | <u>Fiscal Year 2018-19</u> | <u>Fiscal Year 2019-20</u> |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Revenues | | | | | |
| LCFF | \$120,851,140 | \$130,593,649 | \$140,020,947 | \$149,856,869 | \$159,888,558 |
| Federal sources | 2,505,830 | 2,584,465 | 2,778,826 | 2,931,664 | 2,422,949 |
| Other state sources | 11,569,667 | 9,815,247 | 9,966,094 | 17,423,573 | 10,357,615 |
| Other local sources | <u>6,001,637</u> | <u>6,526,668</u> | <u>8,020,476</u> | <u>8,947,843</u> | <u>6,942,619</u> |
| Total revenues | 140,928,274 | 149,520,029 | 160,786,343 | 179,159,949 | 179,611,741 |
| Expenditures | | | | | |
| Certificated salaries | 55,944,002 | 59,636,211 | 62,337,304 | 65,659,410 | 69,398,034 |
| Classified salaries | 22,237,346 | 25,541,968 | 26,891,385 | 29,409,969 | 30,683,160 |
| Employee benefits | 28,296,053 | 32,679,248 | 36,395,978 | 46,557,608 | 45,534,258 |
| Books and supplies | 7,947,310 | 7,157,739 | 8,133,544 | 6,488,734 | 5,745,782 |
| Services and other operating expenditures | 18,733,454 | 16,403,753 | 16,923,560 | 17,650,071 | 19,353,820 |
| Capital outlay | 523,403 | 536,158 | 238,955 | 1,560,327 | 554,121 |
| Other outgo | <u>3,828,269</u> | <u>3,483,663</u> | <u>3,995,566</u> | <u>4,268,399</u> | <u>4,409,647</u> |
| Total Expenditures | 137,509,837 | 145,438,740 | 154,916,292 | 171,594,518 | 175,678,822 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 3,418,437 | 4,081,289 | 5,870,051 | 7,565,431 | 3,932,919 |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers in | 35,031 | -- | -- | -- | -- |
| Other sources | -- | -- | -- | 385,372 | 21,506 |
| Operating transfers out ⁽²⁾ | <u>(3,185,031)</u> | <u>(3,425,000)</u> | <u>(5,373,855)</u> | <u>(4,100,757)</u> | <u>(4,255,261)</u> |
| Total Other Financing Sources and (Uses) | (3,150,000) | (3,425,000) | (5,373,855) | (3,715,385) | (4,233,755) |
| Net Change in Fund Balances | 268,437 | 656,289 | 496,196 | 3,850,046 | (300,836) |
| Fund Balance, July 1 | <u>24,685,980</u> | <u>24,954,417</u> | <u>25,610,706</u> | <u>26,106,902</u> | <u>29,956,948</u> |
| Fund Balance, June 30 | <u>\$24,954,417</u> | <u>\$25,610,706</u> | <u>\$26,106,902</u> | <u>\$29,956,948</u> | <u>\$29,656,112</u> |

⁽¹⁾ From the District's comprehensive audited financial statements for fiscal years 2015-16 through 2019-20, respectively. In addition to the District's unrestricted and restricted general fund activity, includes the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

⁽²⁾ Reflects contributions to the Cafeteria Special Revenue Fund and the Building Fund.

Source: San Mateo Union High School District.

Budget Process

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

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

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

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

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the 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 the two subsequent fiscal years.

Within the past ten years, the District has not had an adopted budget disapproved by the county superintendent of schools and has not received a “qualified” or “negative” certification of an Interim Financial Report pursuant to AB 1200.

Budgeting Trends. The table on the following page shows the District’s general fund adopted budgets for the years 2017-18 through 2021-22, general fund ending results for the fiscal years 2017-18 through 2019-20, and estimated actual results for fiscal year 2020-21.

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GENERAL FUND BUDGETING
Fiscal Years 2017-18 through 2021-22
San Mateo Union High School District

| | Fiscal Year 2017-18⁽¹⁾ | | Fiscal Year 2018-19⁽¹⁾ | | Fiscal Year 2019-20⁽¹⁾ | | Fiscal Year 2020-21 | | Fiscal Year 2021-22 |
|--|--|----------------------------|--|----------------------------|--|----------------------------|---|--|---|
| | Adopted Budget | Actuals | Adopted Budget | Actuals | Adopted Budget | Actuals | Adopted Budget⁽²⁾ | Estimated Actuals⁽³⁾ | Adopted Budget⁽³⁾ |
| REVENUES | | | | | | | | | |
| LCFF Sources | \$135,116,577 | \$140,020,947 | \$146,682,992 | \$149,856,869 | \$156,400,181 | \$159,888,558 | \$167,549,025 | \$171,529,184 | \$174,909,421 |
| Federal Revenues | 2,510,832 | 2,778,826 | 2,706,043 | 2,931,664 | 2,787,821 | 2,422,949 | 3,117,490 | 8,618,764 | 5,517,251 |
| Other State Revenues | 9,498,976 | 9,966,094 | 9,645,512 | 17,423,573 | 9,092,559 | 10,357,615 | 9,908,659 | 20,914,145 | 11,723,481 |
| Other Local Revenues | <u>5,443,172</u> | <u>8,020,476</u> | <u>4,569,233</u> | <u>8,947,843</u> | <u>5,584,013</u> | <u>6,942,619</u> | <u>2,628,414</u> | <u>3,959,537</u> | <u>2,188,283</u> |
| TOTAL REVENUES | 152,569,557 | 160,786,343 | 163,603,780 | 179,159,949 | 173,864,574 | 179,611,741 | 183,203,588 | 205,021,630 | 194,338,436 |
| EXPENDITURES: | | | | | | | | | |
| Certificated Salaries | 62,310,429 | 62,337,304 | 66,491,691 | 65,659,410 | 69,675,958 | 69,398,034 | 71,385,209 | 71,330,458 | 73,052,368 |
| Classified Salaries | 25,931,941 | 26,891,385 | 28,498,720 | 29,409,969 | 30,851,658 | 30,683,160 | 30,967,138 | 31,341,306 | 34,572,517 |
| Employee Benefits | 37,074,491 | 36,395,978 | 40,956,932 | 46,557,608 | 45,517,935 | 45,534,258 | 45,535,218 | 45,185,164 | 50,098,841 |
| Books & Supplies | 6,752,172 | 8,133,544 | 6,586,138 | 6,488,734 | 6,508,899 | 5,745,782 | 8,491,148 | 11,739,458 | 15,207,197 |
| Services and Other Operating Expenditures | 16,380,869 | 16,923,560 | 15,330,111 | 17,650,071 | 15,545,164 | 19,353,820 | 20,289,646 | 23,319,250 | 21,281,938 |
| Capital Outlay | 150,000 | 238,955 | 550,000 | 1,560,327 | 550,000 | 554,121 | 550,000 | 874,660 | 550,000 |
| Other Outgo/Intergovernmental Transfers | 4,238,716 | 3,995,566 | 4,335,589 | 4,268,399 | 4,571,364 | 4,409,647 | 4,788,171 | 4,391,434 | 4,770,348 |
| Transfers of Indirect Costs | -- | -- | -- | -- | -- | -- | (120,000) | (56,944) | (120,000) |
| TOTAL EXPENDITURES | 152,838,618 | 154,916,292 | 162,749,181 | 171,594,518 | 173,220,978 | 175,678,822 | 181,886,530 | 188,124,785 | 199,413,209 |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures | (269,061) | 5,870,051 | 854,599 | 7,565,431 | 643,596 | 3,932,919 | 1,317,058 | 16,896,845 | (5,074,773) |
| OTHER FINANCING SOURCES/(USES): | | | | | | | | | |
| Transfers In | -- | -- | -- | -- | 500,000 | -- | -- | -- | -- |
| Transfers Out ⁽³⁾ | (2,807,509) | (5,373,855) | (3,090,745) | (4,100,757) | (3,696,906) | (4,255,261) | (3,841,048) | (4,002,324) | (3,766,198) |
| Other Sources/Uses | -- | -- | -- | <u>385,372</u> | -- | <u>21,506</u> | -- | -- | -- |
| TOTAL | (2,807,509) | (5,373,855) | (3,090,745) | (3,715,385) | (3,196,906) | (4,233,755) | (3,841,048) | (4,002,324) | (3,766,198) |
| NET INCREASE (DECREASE) IN FUND BALANCE | (3,076,570) | 496,196 | (2,236,146) | 3,850,046 | (2,553,310) | (300,836) | (2,523,990) | 12,894,521 | (8,840,971) |
| Fund Balance, July 1 | <u>25,610,706</u> | <u>25,610,706</u> | <u>26,106,902</u> | <u>26,106,902</u> | <u>29,956,948</u> | <u>29,956,948</u> | <u>23,568,700</u> | <u>23,568,700</u> | <u>36,463,221</u> |
| Fund Balance, June 30 | <u>\$22,534,136</u> | <u>\$26,106,902</u> | <u>\$23,870,756</u> | <u>\$29,956,948</u> | <u>\$27,403,638</u> | <u>\$29,656,112</u> | <u>\$21,044,710</u> | <u>\$36,463,221</u> | <u>\$27,622,250</u> |

⁽¹⁾ From the District's comprehensive audited financial statements for fiscal years 2016-17 through 2019-20, respectively. Includes restricted and unrestricted general fund, as well as the Special Reserve Fund for Other than Capital Outlay Projects in accordance with the fund type definitions promulgated by Governmental Accounting Standards Board ("GASB") Statement No. 54.

⁽²⁾ From the District's First Interim Report for fiscal year 2020-21, which was approved by the Board on December 10, 2020. Amounts are rounded to nearest whole number. Includes restricted and unrestricted general fund. Does not reflect funds on deposit in the Special Reserve Fund for Other than Capital Outlay Projects.

⁽³⁾ From the District's adopted budget for Fiscal Year 2021-22, which was approved by the Board on June 24, 2021. Amounts are rounded to nearest whole number. Includes restricted and unrestricted general fund. Does not reflect funds on deposit in the Special Reserve Fund for Other than Capital Outlay Projects.

⁽⁴⁾ Includes contributions to the Cafeteria Special Revenue Fund and the Building Fund.

Source: San Mateo Union High School District.

State Budget Measures

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

2021-22 State Budget. On July 16, 2021, the Governor signed a series of bills representing the State budget for fiscal year 2021-22 (the "2021-22 Budget"). The Governor's signing followed negotiations between the Governor and the State Legislature regarding the final provisions of the 2021-22 Budget, including the expenditure of a large projected State general fund surplus. The State Legislature passed temporary budgetary legislation in June of 2021 to meet the required constitutional deadline. The following is drawn from the DOF summary of the 2021-22 Budget.

The 2021-22 Budget indicates that revenues are up significantly from the forecast included in the Governor's proposed State budget for fiscal year 2021-22, resulting in a large budgetary surplus. This is a result of strong cash trends, two major federal relief bills since the beginning of 2021, continued stock market appreciation, and a significantly upgraded economic forecast from the prior fiscal year. The 2021-22 Budget also reports that the State has received approximately \$285 billion in federal COVID-19 stimulus funding for State programs. Although the 2021-22 Budget acknowledges that building reserves and paying down debts are critical, the 2021-22 Budget allocates approximately 85% of discretionary funds to one-time spending. The multi-year forecast reflects a budget roughly in balance, although the 2021-22 Budget assumes that risks remain to the economic forecast, including a stock market decline that could reduce State revenues.

For fiscal year 2020-21, the 2021-22 Budget projects total general fund revenues and transfers of \$188.8 billion and authorizes expenditures of \$166.1 billion. The State is projected to end the 2020-21 fiscal year with total available reserves of \$39.8 billion, including \$25.1 billion in the traditional general fund reserve, \$12.3 billion in the BSA, \$1.9 billion in the PSSSA and \$450 million in the Safety Net Reserve Fund. For fiscal year 2021-22, the 2021-22 Budget projects total general fund revenues and transfers of \$175.3 billion and authorizes expenditures of \$196.4 billion. The State is projected to end the 2021-22 fiscal year with total available reserves of \$25.2 billion, including \$4 billion in the traditional general fund reserve, \$15.8 billion in the BSA, \$4.5 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. The balance in the PSSSA in fiscal year 2021-22 is projected to trigger school district reserve caps beginning in fiscal year 2022-23. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

The 2021-22 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2021-22 at \$93.7 billion. This results in per-pupil funding of \$13,976 from Proposition 98 funding, growing to \$21,555 when accounting for all funding sources. The Proposed 2021-22 Budget also makes retroactive increases to the minimum funding guarantee in fiscal years 2019-20 and 2020-21, setting them at \$79.3 billion and \$93.4 billion, respectively. Collectively, this represents a three-year increase in the minimum funding guarantee of \$47 billion from the level projected by the 2020-21 State budget. In addition, Test 1 is projected to be in effect over this three year period.

Other significant features relating to K-12 school district funding include the following:

- **Local Control Funding Formula:** The 2021-22 Budget funds a compounded COLA of 4.05%, representing an adjustment of 2.31% allocable to fiscal year 2020-21 and a fiscal year 2021-22 adjustment of 1.7%. Additionally, to assist local educational agencies address ongoing fiscal pressures, the 2021-22 Budget also includes \$520 million in Proposition 98

funding to provide a 1% increase in LCFF base funding. This discretionary increase, when combined with the compounded COLA, results in a 5.07% growth in LCFF funding over 2020-21 levels. To increase the number of adults providing direct services to students on school campuses, the 2021-22 Budget also includes an ongoing increase to the LCFF Concentration Grant of \$1.1 billion, an increase from 50% to 65%. See “Local Control Funding Formula” herein. Local educational agencies that are recipients of these funds will be required to demonstrate in their LCAPs how these funds are used to increase the number of certificated and classified staff on their campuses, including school counselors, nurses, teachers, paraprofessionals, custodial staff, and other student support providers.

- *Deferrals:* The State budget for fiscal year 2020-21 deferred approximately \$1.9 billion in K-12 apportionments in fiscal year 2019-20, growing to more than \$11 billion in fiscal year 2020-21. The 2021-22 Budget eliminates in its entirety all K-12 deferrals in fiscal year 2021-22.
- *Universal Transitional Kindergarten:* The 2021-22 Budget includes a series of provisions intended to incrementally establish a universal transitional kindergarten for four-year-old children. Full implementation is expected by fiscal year 2025-26. Local educational agencies will be able to use fiscal year 2021-22 for planning and infrastructure development. The 2021-22 Budget indicates that the costs to the State general fund of the plan are projected to be approximately \$600 million in fiscal year 2022-23, growing to approximately \$2.7 billion in fiscal year 2025-26. The 2021-22 Budget includes \$200 million in one-time Proposition 98 funding for planning and implementation grants for all local educational agencies and \$100 million in one-time Proposition 98 funding to train and increase the number of early childhood educators. To build on and enhance the quality of the existing transitional kindergarten program, the 2021-22 Budget also proposes new ongoing Proposition 98 funding beginning in fiscal year 2022-23 to provide one additional certificated or classified staff person in each transitional kindergarten classroom, reducing adult-to-child ratios from 1:24 to 1:12.
- *Student Supports:* \$3 billion, available over several years, to expand and strengthen the implementation and use of community school models in communities with high levels of poverty. Community schools typically integrate health, mental health and other services for students and families and provide these services directly on school campuses. In addition, the 2021-22 Budget provides \$547.5 million in one-time Proposition 98 funding to assist high school students, particularly those that are eligible for free and/or reduced priced meals, English learners or foster youth, to graduate having completed certain classes required for admission to the California State University and University of California systems.
- *County Offices of Education:* In recognition of the disproportionate impact of the COVID-19 pandemic on youth in foster care, the 2021-22 Budget provides \$30 million in one-time Proposition 98 funding to county offices of education to work with local partners to coordinate and provide direct services to these students.
- *Expanded Learning Time:* \$1.8 billion of Proposition 98 funding as part of a multi-year plan to implement expanded-day, full-year instruction and enrichment for all elementary school students, with a focus on local educational agencies with the highest concentrations of low-income students, English language learners, and youth in foster care. Pursuant to this plan, all local educational agencies will receive funding for expanded learning opportunities based on their number of low-income students, English language learners, and youth in foster care, with local educational agencies with the highest concentrations of these students receiving a

higher funding rate. All local educational agencies will be required to offer expanded learning opportunities to the students generating the funding, with the local educational agencies receiving the higher funding rate required to offer expanded learning opportunities to all students. Students will have access to no-cost after school and summer programs, which when combined with regular instructional time, is expected to provide these students with the opportunity for nine hours of developmentally appropriate academics and enrichment activities per instructional day and for six weeks each summer. Additionally, these programs will be required to maintain adult-to-student ratios of no less than 1:10 for transitional kindergarten and kindergarten students and 1:20 for students in first through sixth grades.

- *Educator Preparation, Retention and Training:* \$2.9 billion to support a variety of initiatives intended to further expand the State's educator preparation and training infrastructure, including meeting the needs of early childhood educators.
- *Nutrition:* \$54 million in additional Proposition 98 funding to reimburse all meals served to students, including those who would not normally qualify for reimbursement under the State's existing meal program. Beginning in fiscal year 2022-23, all public schools will be required to provide two free meals per day to any student who requests one, regardless of income eligibility. Further, all schools eligible for the federal universal meals provision program will be required to apply for it, and the State will cover any remaining unreimbursed costs up to the federal free per-meal rate, at an estimated annual cost of \$650 million in Proposition 98 funding. Additionally, the 2021-22 Budget provides \$150 million in one-time Proposition 98 funding for school districts to upgrade kitchen infrastructure and equipment, and to provide training to food service employees.
- *Remote Learning:* The 2021-22 Budget requires that all districts return to full-time in-person instruction for the 2021-22 school year. Consistent with all school years prior to fiscal year 2020-21, this mode of instruction will be the default for all students, and generally one of only two ways in which local educational agencies can earn State apportionment funding in fiscal year 2021-22. However, to give families a high-quality option for non-classroom based instruction, and to provide local educational agencies with an option to generate state funding by serving students outside the classroom in response to parent requests, the Budget requires school districts and county offices of education to provide students with an independent study option and includes a series of improvements to the State's existing independent study programs.
- *Special Education:* \$1.7 billion to invest in and improve instruction and services for students with disabilities to provide, among other things, learning recovery support, an increase in the State-wide base funding rate for special education funding, a 4.05% COLA to State special education funding, and early intervention services for preschool-aged children.
- *Career Technical Education (CTE):* An increase of \$150 million in ongoing Proposition 98 funding to augment opportunities for local educational agencies to participate in the CTE Incentive Grant Program. The 2021-22 Budget also provides an increase of \$86.4 million in one-time Proposition 98 funding for CTE regional occupational centers or programs operated by joint powers authorities to address costs associated with the COVID-19 pandemic.

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

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

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

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

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

SAN MATEO UNION HIGH SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances are 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 shall be payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Introduction

The District is a community funded district located in the County that includes the communities of Burlingame, Foster City, Hillsborough, Millbrae, San Bruno and San Mateo. The District operates six comprehensive high schools, a continuation high school and an adult school. The District has a fiscal year 2020-21 enrollment of 9,189 students, including special education and continuing education students, and an ADA of 8,821 students. Over 4,500 adults are served through the adult school. The District serves a resident population of approximately 247,000 persons and taxable property within the District has a fiscal year 2020-21 assessed valuation of \$88,712,917,849. District enrollment and ADA, and the assessed valuation of property within the District, may be affected by the ongoing COVID-19 pandemic. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein.

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

Administration

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

BOARD OF TRUSTEES San Mateo Union High School District

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|----------------------|---------------|---------------------|
| Robert H. Griffin | President | December 2022 |
| Peter H. Hanley | Clerk | December 2022 |
| Linda Lees Dwyer | Trustee | December 2022 |
| Greg Land | Trustee | December 2024 |
| Ligia Andrade Zuniga | Trustee | December 2024 |

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Kevin Skelly, Ph.D. is currently the Superintendent of the District. A brief biography of the Superintendent follows:

Kevin Skelly, Ph.D., Superintendent. Dr. Kevin Skelly was appointed Superintendent of the District effective July 1, 2015. Immediately prior to joining the District, Dr. Skelly served as Interim Superintendent of Mountain View Whisman School District, and, prior thereto, as Superintendent of the Palo Alto Unified School District. His prior positions also include Associate Superintendent at Poway Unified School District, Principal at Saratoga High School, and high school math and Spanish teacher. Dr. Skelly earned his degree in Economics from Harvard University and a Ph.D. in Education Policy and Administration from the University of California, Berkeley.

Yancy Hawkins, CPA, Associate Superintendent/Chief Business Officer. Mr. Hawkins was appointed as the Associate Superintendent/Chief Business Office of the District in December of 2020, and will officially assume his position effective March 1, 2021. Previously, he served as the Assistant Superintendent of Business & Operations at the Novato Unified School District for approximately four years. Mr. Hawkins has also held various school business positions at the Larkspur-Corte Madera School District, Palo Alto Unified School District and the Marin County Office of Education. Prior to beginning his career in public school finance, Mr. Hawkins served as an audit manager with Ernst & Young. He earned a Bachelor's Degree in economics and accounting from the University of California, Los Angeles. Mr. Hawkins is also a licensed, certified public accountant.

Charter School

The State Legislature enacted the Charter Schools Act of 1992 (Education Code Sections 47600-47663) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, the State's charter school law states that local boards are the primary charter-approving agency and that county boards of education can approve a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. Charter schools are exempt from state and local education rules and regulations, except as specified in the legislation.

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

On November 22, 2013, the Board approved the charter petition of Design Tech High School (the "Charter School") for a period of five years from July 1, 2014 through June 30, 2019. On March 28, 2019, the Board renewed the charter for another five years, through June 30, 2024. The Charter School is a District-operated charter school and has a 2021-22 enrollment of 555 students. Because the District is a community funded district, the District is required to pay the base funding portion of the LCFF transition calculation to the Charter School. This amount is paid from the District's local property taxes and is incorporated into the District's budget as a contra-revenue.

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

Labor Relations

The District currently employs approximately 486 full-time equivalent certificated employees and 259 classified employees. In addition, the District employs 300 part-time faculty and staff. These employees, except management and some part-time employees, are represented by three bargaining units as noted below:

SAN MATEO UNION HIGH SCHOOL DISTRICT Labor Relations

| <u>Labor Organization</u> | <u>Number of Employees in Organization</u> | <u>Contract Expiration Date</u> |
|---|--|-------------------------------------|
| California Teachers Association | 518 | June 30, 2021 ⁽¹⁾ |
| California School Employees Association (CSEA) | 457 | June 30, 2022 ⁽²⁾ |
| American Federation of State County and Municipal Employees | 17 | June 30, 2022 |

⁽¹⁾ Employees are working under the terms of their existing contract while negotiations are finalized.

⁽²⁾ The District has reached a tentative agreement with CSEA that is subject to Board approval.

Source: San Mateo Union High School District.

Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by none of the District, the Municipal Advisor or the Underwriter.

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

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

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year

2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the “2014 Liability”), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

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

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

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2021, the contribution rate is 10.250% for employees hired before the Implementation Date and 10.205% for employees hired after the Implementation Date, which remain unchanged the past two fiscal years.

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

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

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

Source: AB 1469.

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

service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 (“SB 90”) into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher’s Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of \$1.117 billion to be allocated to reduce the employer’s share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment was reflected in the June 30, 2020 actuarial valuation. Subsequently, the State’s 2020-21 Budget redirected \$2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and is 16.92% in fiscal year 2021-22. See “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein.

The District’s contributions to STRS were \$9,151,228 in fiscal year 2017-18, \$10,945,270 in fiscal year 2018-19 and \$11,897,363 in fiscal year 2019-20 and \$11,548,447. The District currently projects \$20,175,611 for its contribution to STRS for fiscal year 2021-22.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2021-22. The State’s contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State’s contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. The STRS Board approved State supplemental contribution rate for fiscal year 2021-22 reflects an increase of 0.5% of payroll, the maximum allowed under current law.

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

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

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. Pursuant to SB 90, the State Legislature appropriated \$904 million to the Schools Pool, including transfers in fiscal years 2019-20 and 2020-21 to the Public Employees Retirement Fund to pay, in advance on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years, as well as additional amounts to be applied toward certain unfunded liabilities for K-14 school district employers. In June 2020, SB 90 was amended by Assembly Bill 84/Senate Bill 111 (“AB 84”). Under AB 84, \$144 million of the State contribution under SB 90 was deemed to satisfy a portion of the State’s required contribution in fiscal year 2019-20, and the amounts previously allocated toward future liabilities were redirected such that, \$430 million will satisfy a portion of the employer contribution rate in fiscal year 2020-21, and \$330 million will satisfy a portion of the employer contribution rate in fiscal year 2021-22. As a result of the payments made by the State pursuant to SB 90, as amended by AB 84, the employer contribution rate was 19.721% for fiscal year 2019-20, 20.7% in fiscal year 2020-21, and will be 22.91% in fiscal year 2021-22. “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2020-21 and will be 7% of such salaries in fiscal year 2021-22, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2020-21 and will be 7% in fiscal year 2021-22. See “— California Public Employees’ Pension Reform Act of 2013” herein.

The District’s contributions to PERS were \$4,220,680 in fiscal year 2017-18, \$5,318,906 in fiscal year 2018-19, \$5,318,906 in fiscal year 2019-20 and \$6,089,060 in fiscal year 2020-21. The District currently projects \$8,522,709 for its contribution to PERS for fiscal year 2021-22.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2019-20

| <u>STRS</u> | | | | | |
|---------------------------|---------------------------------|---|--|---|--|
| <u>Fiscal Year</u> | <u>Accrued Liability</u> | <u>Value of Trust Assets (MVA)⁽²⁾</u> | <u>Unfunded Liability (MVA)⁽²⁾</u> | <u>Value of Trust Assets (AVA)⁽³⁾</u> | <u>Unfunded Liability (AVA)⁽³⁾</u> |
| 2010-11 | \$208,405 | \$147,140 | \$68,365 | \$143,930 | \$64,475 |
| 2011-12 | 215,189 | 143,118 | 80,354 | 144,232 | 70,957 |
| 2012-13 | 222,281 | 157,176 | 74,374 | 148,614 | 73,667 |
| 2013-14 | 231,213 | 179,749 | 61,807 | 158,495 | 72,718 |
| 2014-15 | 241,753 | 180,633 | 72,626 | 165,553 | 76,200 |
| 2015-16 | 266,704 | 177,914 | 101,586 | 169,976 | 96,728 |
| 2016-17 | 286,950 | 197,718 | 103,468 | 179,689 | 107,261 |
| 2017-18 | 297,603 | 211,367 | 101,992 | 190,451 | 107,152 |
| 2018-19 | 310,719 | 225,466 | 102,636 | 205,016 | 105,703 |
| 2019-20 | 322,127 | 233,253 | 107,999 | 216,252 | 105,875 |

| <u>PERS</u> | | | | | |
|---------------------------|---------------------------------|---|--|---|--|
| <u>Fiscal Year</u> | <u>Accrued Liability</u> | <u>Value of Trust Assets (MVA)</u> | <u>Unfunded Liability (MVA)</u> | <u>Value of Trust Assets (AVA)⁽³⁾</u> | <u>Unfunded Liability (AVA)⁽³⁾</u> |
| 2010-11 | \$58,358 | \$45,901 | \$12,457 | \$51,547 | \$6,811 |
| 2011-12 | 59,439 | 44,854 | 14,585 | 53,791 | 5,648 |
| 2012-13 | 61,487 | 49,482 | 12,005 | 56,250 | 5,237 |
| 2013-14 | 65,600 | 56,838 | 8,761 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2014-15 | 73,325 | 56,814 | 16,511 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2015-16 | 77,544 | 55,785 | 21,759 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2016-17 | 84,416 | 60,865 | 23,551 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2017-18 | 92,071 | 64,846 | 27,225 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2018-19 | 99,528 | 68,177 | 31,351 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2019-20 ⁽⁵⁾ | 104,062 | 71,400 | 32,662 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |

⁽¹⁾ Amounts may not add due to rounding.

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

⁽³⁾ Reflects actuarial value of assets.

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

⁽⁵⁾ On April 19, 2021, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2021-22 and released certain actuarial information to be incorporated into the June 30, 2020 actuarial valuation to be released in the latter half of 2021. For fiscal year 2021-22, the impact of the additional \$330 million State contribution made pursuant to AB 84 is directly reflected in the actuarially determined contribution for the first time, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015) (the “2017 Experience Analysis”), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member’s increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the “2016 STRS Actuarial

Valuation”). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the “2017 STRS Actuarial Valuation”), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

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

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2020 (the “2020 STRS Actuarial Valuation”) reports that the unfunded actuarial obligation increased by \$172 million since the 2019 STRS Actuarial Valuation and the funded ratio increased by 1.1% to 67.1% over such time period. The increase in the funded ratio is primarily due to salary increases less than assumed, additional State contributions, and contributions to pay down the unfunded actuarial obligation under the STRS Board’s valuation policy.

According to the 2020 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.6%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In the STRS 2020 Review of Funding Levels and Risks, STRS noted that COVID-19 has the potential to affect investment performance, the number of teachers working in California and the longevity of STRS members, which are the three main risks to long-term funding that STRS has been monitoring for the last few years. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. In the 2020 STRS Actuarial Report, the actuary reports that a potential decline in the number of teachers and a slower growth in total payroll constitute the largest risk facing employers with respect to STRS. For the 2020 STRS Actuarial Valuation, the number of teachers actively working dropped from 451,000 on June 30, 2019, to about 448,000 on June 30, 2020. This drop in the number of working teachers, combined with salary increases, resulted in the payroll increasing by approximately 2.8% between 2019 and 2020, below the assumed 3.5% annual payroll growth. The actuary notes that the assumed growth in the total payroll was a key component of the employer contribution rate calculated in the 2020 STRS Actuarial Valuation, and that a slower growth will require a higher employer contribution rate to be able to collect the same amount of contributions. The actuary notes that the number of active teachers could be impacted in the future by K-12 enrollment, as well as teacher retirements. Based on CDE reports, net enrollment in K-12 school districts decreased by 3%

(160,000 students) in 2020-21, the largest drop in 20 years, and the Department of Finance projects enrollment will continue to decline in the State over the next decade. In addition, in the first half of the fiscal year, STRS has seen a 26% increase in the number of retirements, and while an increase in retirements would normally not impact long-term funding, decisions made by employers about whether or not to replace the teachers who have retired could impact STRS ability to reach full funding by 2046, especially if it leads to an overall reduction in the number of teachers working in the State and a reduction in total payroll.

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

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

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

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

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

retirement rates.

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

On April 19, 2021, the PERS Board established the employer contribution rates for fiscal year 2021-22 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2020, ahead of its release date in the latter half of 2021. From June 30, 2019 to June 30, 2020 the funded status for the Schools Pool increased by 0.1% (from 68.5% to 68.6%); primarily due to the additional State contribution in July 2019 offset by the lower than expected investment return in fiscal year 2019-20. The return on assets for the year ending June 30, 2020 was approximately 4.7%, reduced for administrative expenses, which was lower than the assumed return of 7.0%, leading to an investment experience loss. PERS attributes the slight decline in the funded status over the last five years to investment losses in excess of investment gains, adoption of new assumptions, both demographic and economic (particularly the lowering of the discount rate from 7.5% to 7.0%), and negative amortization. Assuming all actuarial assumptions are realized, including investment return of 7% in fiscal year 2020-21, that no changes to assumptions, methods or benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for fiscal year 2022-23 is projected to be 26.1%, with annual increases in most years thereafter, resulting in a projected 27.6% employer contribution rate for fiscal year 2026-27.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged

over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2020, the District reported its shares of the net pension liabilities for the STRS and PERS plans as \$109,965,686 and \$61,422,330, respectively. For more information, see “—District Debt Structure” and “APPENDIX B – 2019-20 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 6” attached hereto.

Other Post-Employment Benefits

Plan Benefits. The District administers a single-employer defined benefit other post-employment benefit plan (the “Plan”) that provides medical, dental and vision insurance benefits (the “Benefits”) to eligible retirees and their spouses. As of June 30, 2020, there were 16 retirees and beneficiaries receiving Benefits and 955 eligible active members under the Plan.

Individuals that have reached their 55th birthday and have worked for the District for 10 years may qualify for a contribution by the District of up to \$250 a month, until their 65th birthday. Effective January 1, 2010, such a retiree will receive \$500 a month toward medical insurance until the retiree’s 65th birthday. In addition, if the retiree’s spouse was enrolled in the District’s medical plan, the spouse will receive \$250 a month towards medical insurance until the spouse’s 65th birthday.

Effective January 1, 2010, employees who retired and did not select or did not qualify for the District Insurance Incentive Plan, receive \$250 a month toward medical insurance until the retiree’s 65th

birthday. In addition, if such retiree's spouse was enrolled in the District's medical plan, the spouse will receive \$250 a month towards medical benefits until the spouse's 65th birthday.

Spouses of retirees over age 65, or surviving spouses of retirees, will receive \$250 a month towards medical insurance until the spouse or surviving spouse's 65th birthday.

Funding Policy. The District's funding policy is based on the projected pay-as-you-go financing requirements for current insurance premiums. For fiscal years 2017-18 through 2020-21, the District recognized expenditures for the Benefits equal to \$120,815, \$130,337, \$296,089 and \$102,874, respectively. For fiscal year 2021-22, the District currently projects \$250,000 of expenditures for the Benefits.

The District has not established an irrevocable trust to prefund its OPEB liability, and no prefunding of benefits has been made by the District.

Accrued Liability. The District has implemented *GASB Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB Statement No. 74") and *GASB Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB Statement No. 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. GASB Statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The most recent actuarial study for the Plan was dated December 4, 2018 (the "Study"), and had a valuation date of June 30, 2018. The Study concluded that, as of a June 30, 2018 measurement date, the Total OPEB Liability (the "TOL") with respect to such Benefits, was \$2,755,146. Because the District does not maintain a qualifying irrevocable trust, the District's Net OPEB Liability (the "NOL") is equal to the TOL. For more information regarding the District's other post-employment benefit liability, see "APPENDIX B – 2019-20 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 7" attached hereto.

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

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

Under GASB Statement No. 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For

the TOL, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (the “FNP”) is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB Statement No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 is effective for employer fiscal years beginning after June 15, 2017. The District first recognized GASB Statement No. 74 and GASB Statement No. 75 in its financial statements for fiscal year 2017-18. For more information, see “APPENDIX B – 2019-20 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 7” attached hereto.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; cyber intrusions and natural disasters. The District is a member of the San Mateo County Schools Insurance Group (“SMCSIG”) public entity risk pool. The District pays an annual premium to the entity for its property and liability, health insurance and workers’ compensation coverage. SMCSIG is governed by a board consisting of a representative from each member district. The governing board of SMCSIG controls the operations of the entity independent of any influence by the member districts beyond their representation on the governing board. The relationship between the District and SMCSIG is such that SMCSIG is not a component unit of the District for financial reporting purposes. For more information “APPENDIX B – 2019-20 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11” attached hereto.

District Debt Structure

Short-Term Debt. On August 5, 2021, the District issued \$6,835,000 principal amount of tax and revenue anticipation notes (the “TRANS”) to provide for anticipated cash flow deficits from operations in fiscal year 2021-22. The TRANS bear interest at a rate of 2.000%, with a yield of 0.190%, and will mature on June 30, 2022. The District has pledged a portion of its operating revenues to the repayment of the TRANS.

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

| | Balance June 30, 2019 | Additions | Deductions | Balance June 30, 2020 |
|--|----------------------------------|----------------------|---------------------|----------------------------------|
| General Obligation Bonds: | | | | |
| Principal Amount | \$516,484,382 | \$153,425,000 | \$64,468,108 | \$605,441,274 |
| Accreted Interest | 103,535,623 | 14,400,499 | 3,687,536 | 114,248,586 |
| Capital Leases Payable | 320,635 | -- | 74,287 | 246,348 |
| Net OPEB Liability | 2,992,695 | -- | 648,665 | 2,344,030 |
| Net Pension Liability | 164,436,717 | 6,951,299 | -- | 171,388,016 |
| Accumulated Vacation | <u>547,098</u> | <u>97,992</u> | <u>--</u> | <u>645,090</u> |
| Subtotal | 788,317,150 | 174,874,790 | 68,878,596 | 894,313,344 |
| Unamortized General Obligation Bond Premium | 40,911,856 | 4,823,309 | 4,117,051 | 41,623,114 |
| Unamortized Bond Discount | (672,547) | (160,909) | (36,208) | (796,429) |
| Unamortized Loss on Refunding | <u>(5,204,622)</u> | <u>(8,797,909)</u> | <u>(2,217,051)</u> | <u>(11,785,480)</u> |
| Total Long-Term Obligations | <u>\$823,351,837</u> | <u>\$170,745,100</u> | <u>\$70,742,388</u> | <u>\$923,354,549</u> |

Source: San Mateo Union High School District.

General Obligation Bonds. The District has issued general obligation bonds pursuant to several voter-approved authorizations, as well as general obligation refunding bonds to refinance certain of such bonds. The following table summarizes the outstanding prior bond issuances of the District, not including the Bonds.

| <u>Issuance</u> | <u>Initial Principal Amount</u> | <u>Principal Outstanding⁽¹⁾</u> | <u>Date of Delivery</u> |
|---|--|---|--------------------------------|
| 2000 Voter Authorization (Measure D) | | | |
| Election of 2000 General Obligation Bonds, Series B | \$49,996,151.60 | \$14,579,296.15 | July 24, 2002 |
| Election of 2000 General Obligation Bonds, Series C | 27,503,797.65 | 12,658,797.65 | March 4, 2004 |
| 2006 Voter Authorization (Measure M) | | | |
| Election of 2006 General Obligation Bonds, Series 2011A ⁽²⁾ | 34,999,363.55 | 33,687,870.55 | July 20, 2011 |
| Election of 2006 General Obligation Bonds, Series 2011A-1 | 25,000,000.00 | 14,230,000.00 | July 14, 2011 |
| Election of 2006 General Obligation Bonds, Series 2012A ⁽²⁾ | 10,895,752.30 | 9,295,755.25 | February 13, 2012 |
| Election of 2006 General Obligation Bonds, Series 2013A | 94,400,575.55 | 16,651,562.75 | December 20, 2013 |
| 2010 Voter Authorization (Measure O) | | | |
| Election of 2010 General Obligation Bonds, Series 2011A ⁽²⁾ | 89,999,988.95 | 51,053,068.75 | June 15, 2011 |
| Election of 2010 General Obligation Bonds, Series 2013A ⁽²⁾ | 39,999,940.75 | 18,364,296.45 | December 20, 2013 |
| Election of 2010 General Obligation Bonds, Series 2015A | 56,000,000.00 | 52,955,000.00 | May 19, 2015 |
| 2020 Voter Authorization (Measure L) | | | |
| Election of 2020 General Obligation Bonds, Series A | 96,250,000.00 | 96,250,000.00 | June 10, 2020 |
| Election of 2020 General Obligation Bonds, Series B | 96,250,000.00 | 96,250,000.00 | March 9, 2021 |
| Refunding Bonds | | | |
| 2012 General Obligation Refunding Bonds | 10,835,000.00 | 3,450,000.00 | February 13, 2012 |
| 2012 General Obligation Refunding Bonds, Series B | 38,940,000.00 | 15,835,000.00 | November 7, 2012 |
| 2014 General Obligation Refunding Bonds | 50,190,000.00 | 12,250,000.00 | November 13, 2014 |
| 2016 General Obligation Refunding Bonds (2021 Crossover) ⁽³⁾ | 12,550,000.00 | 12,550,000.00 | March 24, 2016 |
| 2016 General Obligation Refunding Bonds, Series B | 38,380,000.00 | 37,760,000.00 | September 21, 2016 |
| 2016 General Obligation Refunding Bonds, Series C (2020 Crossover) | 58,530,000.00 | 58,530,000.00 | September 21, 2016 |
| 2016 General Obligation Refunding Bonds, Series D (2022 Crossover) ⁽³⁾ | 12,000,000.00 | 12,000,000.00 | September 21, 2016 |
| 2016 General Obligation Refunding Bonds, Series E (2023 Crossover) ⁽³⁾ | 22,010,000.00 | 22,010,000.00 | September 21, 2016 |
| 2017 General Obligation Refunding Bonds | 41,930,000.00 | 41,410,000.00 | December 12, 2017 |
| 2019 General Obligation Refunding Bonds, Series A | 57,175,000.00 | 55,545,000.00 | August 13, 2019 |
| 2019 General Obligation Refunding Bonds, Series B | 40,355,000.00 | 39,455,000.00 | November 7, 2019 |

(1) As of February 10, 2021. Includes principal of the Refunded Bonds expected to be refinanced with proceed of the Bonds.

(2) Reflects principal of general obligation bonds that remain payable from *ad valorem* property tax levies but which have been refunded on a crossover basis, as further described in the following tables labeled “2006 Authorization General Obligation Bond Debt Service Schedule” and “2010 Authorization General Obligation Bond Debt Service Schedule” herein.

(3) Reflects principal of crossover general obligation refunding bonds which will be payable from *ad valorem* property tax levies from and after their respective crossover dates. Interest on these bonds prior to such crossover dates is payable solely from escrow funds established therefor, as further described in the following tables labeled “2006 Authorization General Obligation Bond Debt Service Schedule,” “2010 Authorization General Obligation Bond Debt Service Schedule” and “Combined General Obligation Bond Debt Service Schedule” herein.

Source: The Underwriter.

The annual requirements to amortize all of the District’s outstanding general obligation bonds, assuming no further optional redemptions are made, are as shown in the tables on the following pages.

**2000 AUTHORIZATION GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE
San Mateo Union High School District**

| Year Ending September 1 | 2000 Series B Bonds | 2000 Series C Bonds | 2012 Refunding Bonds | 2012 Refunding Bonds, Series B | Total Annual Debt Service |
|--|------------------------------------|------------------------------------|-------------------------------------|---|--|
| 2021 | \$6,645,000.00 | -- | \$1,770,000.00 | \$4,266,247.00 | \$12,681,247.00 |
| 2022 | 7,080,000.00 | -- | 1,854,000.00 | 4,268,023.00 | 13,202,023.00 |
| 2023 | 7,530,000.00 | \$2,135,000.00 | -- | 4,266,093.00 | 13,931,093.00 |
| 2024 | 8,000,000.00 | 2,265,000.00 | -- | 4,262,986.00 | 14,527,986.00 |
| 2025 | 8,490,000.00 | 2,385,000.00 | -- | -- | 10,875,000.00 |
| 2026 | 12,620,000.00 | 3,135,000.00 | -- | -- | 15,755,000.00 |
| 2027 | -- | 16,195,000.00 | -- | -- | 16,195,000.00 |
| 2028 | -- | 16,850,000.00 | -- | -- | 16,850,000.00 |
| Total | <u>\$50,365,000.00</u> | <u>\$42,965,000.00</u> | <u>\$3,624,000.00</u> | <u>\$17,063,349.00</u> | <u>\$114,017,349.00</u> |

Source: San Mateo Union High School District.

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2006 AUTHORIZATION GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE⁽¹⁾

San Mateo Union High School District

| Year Ending September 1 | 2006 Series 2011A Bonds⁽²⁾ | 2006 Series 2011A-1 Bonds⁽³⁾⁽⁴⁾ | 2006 Series 2012A Bonds⁽²⁾ | 2006 Series 2013A Bonds | 2014 Refunding Bonds | 2016 Refunding Bonds, Series C | 2016 Refunding Bonds, Series D⁽⁵⁾ | 2019 Refunding Bonds, Series B | Total Annual Debt Service |
|------------------------------------|--|---|--|------------------------------------|---------------------------------|---|---|---|--------------------------------------|
| 2021 | \$381,150.00 | \$2,392,923.00 | \$283,600.00 | \$4,970,750.00 | \$2,383,800.00 | \$3,689,250.00 | \$465,537.50 | \$1,586,972.80 | \$16,153,983.30 |
| 2022 | 410,100.00 | 2,413,755.00 | 298,600.00 | 5,373,750.00 | 2,582,300.00 | 3,883,450.00 | 465,537.50 | 1,586,010.80 | 17,013,503.30 |
| 2023 | 437,500.00 | 2,439,326.50 | 313,600.00 | 5,796,000.00 | 2,786,300.00 | 4,077,700.00 | 465,537.50 | 1,584,817.90 | 17,900,781.90 |
| 2024 | 468,700.00 | 2,459,136.50 | 333,600.00 | 3,085,000.00 | 2,999,800.00 | 4,293,450.00 | 465,537.50 | 1,583,079.36 | 15,688,303.36 |
| 2025 | 498,500.00 | 2,488,185.00 | 353,600.00 | -- | 3,229,200.00 | 4,513,950.00 | 465,537.50 | 1,585,819.40 | 13,134,791.90 |
| 2026 | 535,250.00 | 2,510,720.50 | 373,600.00 | -- | -- | 4,738,200.00 | 465,537.50 | 4,906,779.40 | 13,530,087.40 |
| 2027 | 584,750.00 | 2,531,452.50 | 398,600.00 | -- | -- | 4,982,800.00 | 465,537.50 | 5,143,651.90 | 14,106,791.90 |
| 2028 | 1,586,250.00 | -- | 683,600.00 | -- | -- | 5,233,200.00 | 465,537.50 | 5,392,970.66 | 13,361,558.16 |
| 2029 | 1,637,000.00 | -- | 708,600.00 | -- | -- | 5,513,600.00 | 480,537.50 | 5,662,384.26 | 14,002,121.76 |
| 2030 | 1,737,000.00 | -- | 753,600.00 | -- | -- | 5,797,200.00 | 525,237.50 | 5,928,314.10 | 14,741,351.60 |
| 2031 | 1,858,500.00 | -- | 798,600.00 | -- | -- | 6,103,200.00 | 568,887.50 | 6,215,862.50 | 15,545,050.00 |
| 2032 | 1,980,000.00 | -- | 848,600.00 | -- | -- | 6,420,000.00 | 621,525.00 | 6,516,179.50 | 16,386,304.50 |
| 2033 | 3,440,000.00 | -- | 1,253,600.00 | -- | -- | 10,956,400.00 | 1,022,925.00 | -- | 16,672,925.00 |
| 2034 | 3,490,000.00 | -- | 1,283,600.00 | -- | -- | 12,032,800.00 | 1,053,800.00 | -- | 17,860,200.00 |
| 2035 | 9,685,031.26 | -- | 2,508,600.00 | -- | -- | -- | 2,279,400.00 | -- | 14,473,031.26 |
| 2036 | 9,300,531.26 | -- | 2,768,600.00 | -- | -- | -- | 2,540,000.00 | -- | 14,609,131.26 |
| 2037 | 9,505,606.26 | -- | 2,928,600.00 | -- | -- | -- | 2,702,200.00 | -- | 15,136,406.26 |
| 2038 | 10,021,781.26 | -- | 2,276,600.00 | -- | -- | -- | 2,049,400.00 | -- | 14,347,781.26 |
| 2039 | 10,691,781.26 | -- | 2,407,600.00 | -- | -- | -- | 2,178,800.00 | -- | 15,278,181.26 |
| 2040 | 11,212,443.76 | -- | -- | -- | -- | -- | -- | -- | 11,212,443.76 |
| 2041 | 11,765,181.26 | -- | -- | -- | -- | -- | -- | -- | 11,765,181.26 |
| 2042 | 12,344,593.76 | -- | -- | -- | -- | -- | -- | -- | 12,344,593.76 |
| 2043 | 12,958,812.50 | -- | -- | -- | -- | -- | -- | -- | 12,958,812.50 |
| 2044 | 13,601,343.76 | -- | -- | -- | -- | -- | -- | -- | 13,601,343.76 |
| 2045 | 14,385,656.26 | -- | -- | -- | -- | -- | -- | -- | 14,385,656.26 |
| 2046 | 15,096,968.76 | -- | -- | -- | -- | -- | -- | -- | 15,096,968.76 |
| 2047 | 14,344,250.00 | -- | -- | -- | -- | -- | -- | -- | 14,344,250.00 |
| 2048 | 15,239,900.00 | -- | -- | -- | -- | -- | -- | -- | 15,239,900.00 |
| 2049 | 16,180,300.00 | -- | -- | -- | -- | -- | -- | -- | 16,180,300.00 |
| 2050 | 17,159,600.00 | -- | -- | -- | -- | -- | -- | -- | 17,159,600.00 |
| 2051 | 18,393,833.33 ⁽⁶⁾ | -- | -- | -- | -- | -- | -- | -- | 18,393,833.33 |
| Total | \$240,932,314.69 | \$17,235,499.00 | \$21,575,400.00 | \$19,225,500.00 | \$13,981,400.00 | \$82,235,200.00 | \$19,747,012.50 | \$47,692,842.58 | \$462,625,168.77 |

⁽¹⁾ Excludes the 2016 Refunding Bonds, 2016 Refunding Bonds Series B, and 2019 Refunding Bonds, the proceeds of which refinanced bonds of more than one voter authorization. The debt service of such bonds is shown in “- Combined General Obligation Bonds Debt Service Schedule” herein.

⁽²⁾ Includes debt service on the 2006 Series 2011A Bonds and 2006 Series 2012A Bonds which are expected to be refinanced with proceeds of the 2016 Refunding Bonds, and 2016 Refunding Bonds, Series D respectively, on a crossover basis, on September 1, 2021 (the “2016 Crossover Date”), and September 1, 2022 (the “2016D Crossover Date”), respectively. Prior to the respective crossover dates, the 2006 Series 2011A Bonds, and 2006 Series 2012A Bonds to be refunded will continue to be general obligations of the District secured by and payable solely from *ad valorem* property taxes.

⁽³⁾ The 2006 Series 2011A-1 Bonds were designated as “Qualified School Construction Bonds” pursuant to an irrevocable election by the District to have Section 54F and Section 6431 of the Code, as amended by the Hiring Incentives to Restore Employment Act of 2010, apply thereto. The District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to 100% of the interest payable on such bonds on or about each semi-annual interest payment date (the “Subsidy Payments”).

⁽⁴⁾ This table reflects gross debt service payments and does not reflect the anticipated receipt of the Subsidy Payments. The Subsidy Payments are subject to reduction (the “Sequestration Reduction”) pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 5.7% through the end of the current federal fiscal year (September 30, 2021). In the absence of action by the United States Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County Board is empowered and obligated to levy *ad valorem* property taxes in an amount sufficient to pay the principal of and interest on the 2006 Series 2011A-1 Bonds. The County will deposit any cash Subsidy Payments received into the debt service fund for such bonds.

⁽⁵⁾ Includes debt service due on the 2016 Refunding Bonds, Series D on and prior to the 2016D Crossover Date, respectively. Prior to such, debt service on the 2016 Refunding Bonds Series D will be secured by and payable solely from funds on deposit in the escrow fund established therefor from proceeds of such bonds. From and after 2016D Crossover Date, the 2016 Refunding Bonds Series D will constitute general obligations of the District, payable solely from *ad valorem* property taxes.

⁽⁶⁾ Final principal maturity and interest payment on July 1, 2051.

Source: San Mateo Union High School District.

2010 AUTHORIZATION GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE⁽¹⁾
San Mateo Union High School District

| Year Ending Sept. 1 | 2010 Series 2011A Bonds⁽²⁾ | 2010 Series 2013A Bonds⁽²⁾ | 2010 Series 2015A Bonds^{*(3)} | 2016 Refunding Bonds Series E⁽⁴⁾ | 2017 Refunding Bonds | The Bonds | Combined Annual Debt Service |
|------------------------------------|--|--|---|--|-------------------------------------|------------------|---|
| 2021 | \$600,011.44 | \$746,250.00 | | \$764,600.00 | \$1,381,891.90 | | |
| 2022 | 750,000.00 | 746,250.00 | | 764,600.00 | 1,381,891.90 | | |
| 2023 | 90,000.00 | 746,250.00 | | 764,600.00 | 2,021,891.90 | | |
| 2024 | 105,000.00 | 776,250.00 | | 764,600.00 | 2,135,667.90 | | |
| 2025 | 425,000.00 | 1,059,750.00 | | 849,600.00 | 4,840,224.40 | | |
| 2026 | 160,000.00 | 879,000.00 | | 761,200.00 | 2,615,894.36 | | |
| 2027 | 150,000.00 | 891,500.00 | | 761,200.00 | 2,527,278.50 | | |
| 2028 | 170,000.00 | 938,000.00 | | 761,200.00 | 2,669,419.66 | | |
| 2029 | 12,979,485.00 | 1,651,750.00 | | 1,441,200.00 | 1,239,450.00 | | |
| 2030 | 14,718,722.50 | 1,804,250.00 | | 1,594,000.00 | 1,235,875.00 | | |
| 2031 | 15,569,442.50 | 1,891,750.00 | | 1,679,600.00 | 1,237,300.00 | | |
| 2032 | 16,455,987.50 | 1,982,000.00 | | 1,770,400.00 | 1,238,562.50 | | |
| 2033 | 12,946,262.50 | 2,774,500.00 | | 2,566,000.00 | 1,239,662.50 | | |
| 2034 | 18,383,585.00 | 2,175,500.00 | | 1,963,000.00 | 1,240,600.00 | | |
| 2035 | 19,419,355.00 | 2,275,500.00 | | 2,066,000.00 | 1,236,375.00 | | |
| 2036 | 20,512,230.00 | 2,385,500.00 | | 2,172,600.00 | 1,237,150.00 | | |
| 2037 | 21,665,820.00 | 2,500,500.00 | | 2,292,400.00 | 1,237,425.00 | | |
| 2038 | 22,877,730.00 | 2,615,500.00 | | 2,404,050.00 | 1,237,525.00 | | |
| 2039 | 24,149,895.00 | 2,740,500.00 | | 2,530,600.00 | 1,237,450.00 | | |
| 2040 | 25,493,245.00 | 2,868,000.00 | | 2,656,450.00 | 1,237,200.00 | | |
| 2041 | 21,452,035.00 | 3,008,250.00 | | 2,796,450.00 | 6,111,775.00 | | |
| 2042 | -- | -- | | -- | <u>26,630,550.00</u> | | |
| Total | <u>\$249,073,806.44</u> | <u>\$37,456,750.00</u> | | <u>\$34,124,350.00</u> | <u>\$67,171,060.52</u> | | |

* Preliminary, subject to change.

(1) Excludes the 2016 Refunding Bonds, 2016 Refunding Bonds Series B and 2019 Refunding Bonds, the proceeds of which refinanced bonds of more than one voter authorization. The debt service of such bonds is shown in “- Combined General Obligation Bonds Debt Service Schedule” herein.

(2) Includes debt service on the 2010 Series 2011A Bonds and 2010 Series 2013A Bonds which are expected to be refinanced with proceeds of the 2016 Refunding Bonds and 2016 Refunding Bonds, Series E, respectively, on a crossover basis, on the 2016 Crossover Date and September 1, 2023 (the “2016E Crossover Date”), respectively. Prior to the respective crossover dates, the 2010 Series 2011A Bonds and 2010 Series 2013A Bonds to be refunded will continue to be general obligations of the District, secured by and payable solely from *ad valorem* property taxes.

(3) Does not include debt service on the Refunded Bonds expected to be refinanced with the proceeds of the Bonds.

(4) Includes debt service due on the 2016 Refunding Bonds, Series E on and prior to the 2016E Crossover Date. Prior to the 2016E Crossover Date, debt service on the 2016 Refunding Bonds, Series E will be secured by and payable solely from funds on deposit in the escrow fund established with from proceeds thereof. From and after the 2016E Crossover Date, the 2016 Refunding Bonds, Series E will constitute general obligations of the District, payable solely from *ad valorem* property taxes.

Source: San Mateo Union High School District.

2020 AUTHORIZATION GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE
San Mateo Union High School District

| Year Ending Sept. 1 | 2020 Series A Bonds | 2020 Series B Bonds | Combined Annual Debt Service |
|------------------------------------|--------------------------------|--------------------------------|---|
| 2021 | \$9,037,175.00 | \$1,226,252.50 | \$10,263,427.50 |
| 2022 | 11,207,375.00 | 2,566,575.00 | 13,773,950.00 |
| 2023 | 13,890,975.00 | 2,566,575.00 | 16,457,550.00 |
| 2024 | 1,868,575.00 | 11,926,575.00 | 13,795,150.00 |
| 2025 | 1,868,575.00 | 2,252,175.00 | 4,120,750.00 |
| 2026 | 1,868,575.00 | 2,252,175.00 | 4,120,750.00 |
| 2027 | 1,868,575.00 | 2,252,175.00 | 4,120,750.00 |
| 2028 | 1,868,575.00 | 2,252,175.00 | 4,120,750.00 |
| 2029 | 3,173,575.00 | 2,252,175.00 | 5,425,750.00 |
| 2030 | 3,316,375.00 | 3,642,175.00 | 6,958,550.00 |
| 2031 | 3,461,375.00 | 3,806,575.00 | 7,267,950.00 |
| 2032 | 3,618,175.00 | 3,977,175.00 | 7,595,350.00 |
| 2033 | 3,781,987.50 | 4,158,375.00 | 7,940,362.50 |
| 2034 | 3,951,787.50 | 4,344,375.00 | 8,296,162.50 |
| 2035 | 4,130,237.50 | 4,539,575.00 | 8,669,812.50 |
| 2036 | 4,316,187.50 | 4,743,175.00 | 9,059,362.50 |
| 2037 | 4,509,187.50 | 4,959,375.00 | 9,468,562.50 |
| 2038 | 4,713,787.50 | 5,177,175.00 | 9,890,962.50 |
| 2039 | 4,924,387.50 | 5,415,975.00 | 10,340,362.50 |
| 2040 | 5,149,000.00 | 5,655,175.00 | 10,804,175.00 |
| 2041 | 5,376,637.50 | 5,912,175.00 | 11,288,812.50 |
| 2042 | 5,622,075.00 | 6,177,275.00 | 11,799,350.00 |
| 2043 | 5,874,750.00 | 6,455,175.00 | 12,329,925.00 |
| 2044 | 6,136,500.00 | 6,745,475.00 | 12,881,975.00 |
| 2045 | 6,413,500.00 | 7,047,775.00 | 13,461,275.00 |
| 2046 | 6,700,125.00 | 7,366,675.00 | 14,066,800.00 |
| 2047 | 7,005,875.00 | 7,698,237.50 | 14,704,112.50 |
| 2048 | -- | <u>15,364,706.26</u> | <u>15,364,706.26</u> |
| Total: | <u>\$135,653,925.00</u> | <u>\$142,733,471.26</u> | <u>\$278,387,396.26</u> |

Source: San Mateo Union High School District.

COMBINED GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE
San Mateo Union High School District

| Year Ending Sept. 1 | Combined 2000 Authorization Bonds⁽¹⁾ | Combined 2006 Authorization Bonds⁽²⁾ | Combined 2010 Authorization Bonds⁽³⁾ | 2016 Refunding Bonds⁽⁴⁾ | 2016 Refunding Bonds, Series B | 2019 Refunding Bonds | Combined 2020 Authorization Bonds | Combined Annual Debt Service |
|------------------------------------|--|--|--|---|---|-------------------------------------|--|---|
| 2021 | \$12,681,247.00 | \$16,153,983.30 | | \$441,175.00 | \$1,625,400.00 | \$2,116,981.70 | \$10,263,427.50 | |
| 2022 | 13,202,023.00 | 17,013,503.30 | | 471,175.00 | 1,630,800.00 | 2,115,099.10 | 13,773,950.00 | |
| 2023 | 13,931,093.00 | 17,900,781.90 | | 479,675.00 | 1,625,800.00 | 2,117,817.10 | 16,457,550.00 | |
| 2024 | 14,527,986.00 | 15,688,303.36 | | 497,675.00 | 4,600,800.00 | 2,115,000.50 | 13,795,150.00 | |
| 2025 | 10,875,000.00 | 13,134,791.90 | | 774,675.00 | 4,816,600.00 | 5,481,350.50 | 4,120,750.00 | |
| 2026 | 15,755,000.00 | 13,530,087.40 | | 597,675.00 | 5,053,800.00 | 5,558,594.70 | 4,120,750.00 | |
| 2027 | 16,195,000.00 | 14,106,791.90 | | 628,675.00 | 5,291,000.00 | 5,802,726.70 | 4,120,750.00 | |
| 2028 | 16,850,000.00 | 13,361,558.16 | | 1,499,275.00 | 6,187,600.00 | 6,715,088.30 | 4,120,750.00 | |
| 2029 | -- | 14,002,121.76 | | 1,395,475.00 | 6,446,600.00 | 7,584,134.40 | 5,425,750.00 | |
| 2030 | -- | 14,741,351.60 | | 1,479,075.00 | 6,751,800.00 | 8,017,262.30 | 6,958,550.00 | |
| 2031 | -- | 15,545,050.00 | | 1,582,675.00 | 2,085,600.00 | 3,529,515.10 | 7,267,950.00 | |
| 2032 | -- | 16,386,304.50 | | 1,685,100.00 | 151,000.00 | 1,715,097.30 | 7,595,350.00 | |
| 2033 | -- | 16,672,925.00 | | 2,927,812.50 | 150,800.00 | 2,397,869.70 | 7,940,362.50 | |
| 2034 | -- | 17,860,200.00 | | 2,973,600.00 | 150,600.00 | 1,878,774.30 | 8,296,162.50 | |
| 2035 | -- | 14,473,031.26 | | -- | 150,400.00 | 1,972,346.70 | 8,669,812.50 | |
| 2036 | -- | 14,609,131.26 | | -- | 150,200.00 | 2,062,624.40 | 9,059,362.50 | |
| 2037 | -- | 15,136,406.26 | | -- | 150,000.00 | 2,163,307.30 | 9,468,562.50 | |
| 2038 | -- | 14,347,781.26 | | -- | 149,800.00 | 2,263,903.10 | 9,890,962.50 | |
| 2039 | -- | 15,278,181.26 | | -- | 149,600.00 | 2,374,247.70 | 10,340,362.50 | |
| 2040 | -- | 11,212,443.76 | | -- | 149,400.00 | 2,483,848.80 | 10,804,175.00 | |
| 2041 | -- | 11,765,181.26 | | -- | 724,200.00 | 2,597,542.30 | 11,288,812.50 | |
| 2042 | -- | 12,344,593.76 | | -- | 3,146,000.00 | -- | 11,799,350.00 | |
| 2043 | -- | 12,958,812.50 | | -- | -- | -- | 12,329,925.00 | |
| 2044 | -- | 13,601,343.76 | | -- | -- | -- | 12,881,975.00 | |
| 2045 | -- | 14,385,656.26 | | -- | -- | -- | 13,461,275.00 | |
| 2046 | -- | 15,096,968.76 | | -- | -- | -- | 14,066,800.00 | |
| 2047 | -- | 14,344,250.00 | | -- | -- | -- | 14,704,112.50 | |
| 2048 | -- | 15,239,900.00 | | -- | -- | -- | 15,364,706.26 | |
| 2049 | -- | 16,180,300.00 | | -- | -- | -- | -- | |
| 2050 | -- | 17,159,600.00 | | -- | -- | -- | -- | |
| 2051 | -- | 18,393,833.33 | | -- | -- | -- | -- | |
| Total | <u>\$114,017,349.00</u> | <u>\$462,625,168.77</u> | | <u>\$17,433,737.50</u> | <u>\$51,337,800.00</u> | <u>\$73,063,132.00</u> | <u>\$278,387,396.26</u> | |

* Preliminary, subject to change.

(1) See "-- 2000 Authorization General Obligation Bond Debt Service Schedule" herein.

(2) See "-- 2006 Authorization General Obligation Bond Debt Service Schedule" herein, as well as the footnotes thereto.

(3) See "-- 2010 Authorization General Obligation Bond Debt Service Schedule" herein, as well as the footnotes thereto. Does not include debt service on the Refunded Bonds expected to be refinanced with proceeds of the Bonds.

(4) Prior to the 2016 Crossover Date, interest with respect to the 2016 Refunding Bonds is payable solely from the proceeds thereof deposited in an escrow fund established therefore. From and after the 2016 Crossover Date, the 2016 Refunding Bonds are payable solely from *ad valorem* property tax levies.

Source: San Mateo Union High School District.

Capital Leases. In fiscal year 2018-19, the District entered into a capital lease for the purchase of copy machines. The capital lease was in the principal amount of \$385,372.23, and, under the lease, the District must make quarterly principal payments of \$21,897, plus interest, through fiscal year 2022-23.

TAX MATTERS

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

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

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

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

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

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

LIMITATION ON REMEDIES; BANKRUPTCY

General

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

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

Statutory Lien

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

Special Revenues

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. “Special revenues” are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the proceeds

general obligation bonds can only be used to finance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of general obligation bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

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

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

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

LEGAL MATTERS

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 it by the Underwriter relating to the adequacy of the maturing principal of and interest on the Federal Securities in the Escrow Fund, together with any moneys held therein as cash, to pay the redemption prices of and interest on the Refunded Bonds.

Legality for Investment in California

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

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District will covenant for the benefit of the respective Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine

months following the end of the District's fiscal year (which currently ends June 30), and to provide notices of the occurrence of certain listed events. The obligation to file Annual Reports and notices of listed events will commence with the report for the 2020-21 fiscal year. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. [TO COME].

Absence of Material Litigation

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

Financial Statements

The District's audited financial statements with supplemental information for the year ended June 30, 2020, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 23, 2020 of James Marta & Company, LLP (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor herein, 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.

Legal Opinion

The legal opinion of Bond Counsel approving the validity of the Bonds will be supplied to the respective original purchasers thereof without cost. The proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Rating

Moody's has assigned a rating of "Aaa" to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on The Electronic Municipal Market Access ("EMMA") website operated by the Municipal Securities Rulemaking Board notices of any rating changes on the Bonds. See "LEGAL MATTERS – Continuing Disclosure" herein and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agency prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agency and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

Stifel, Nicolaus & Company, Incorporated, the Underwriter, has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds (the "Purchase Contract"). The Underwriter will purchase the Bonds for a purchase price of \$_____ (consisting of the initial principal amount of the Bonds of \$_____, [plus/minus] net original issue [premium/discount] of \$_____, and less the Underwriter's discount of \$_____).

The purchase contract for the Bonds provide that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Additional Information

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

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

SAN MATEO UNION HIGH SCHOOL DISTRICT

By: _____
Dr. Kevin Skelly
Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

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

_____, 2021

Board of Trustees
San Mateo Union High School District

Members of the Board of Trustees:

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

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Government Code Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5, and a resolution of the Board of Education of the District adopted on August 12, 2021.
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”).
4. Interest on the Bonds is exempt from State of California personal income tax.
5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner’s basis in the applicable Bond.

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

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

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

Respectfully submitted,

APPENDIX B

2019-20 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the San Mateo Union High School District (the “District”) in connection with the issuance of \$ _____ of the District’s 2021 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”). The Bonds are being issued pursuant to the resolution of the Board of Trustees of the District adopted on August 12, 2021 (the “Resolution”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

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

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

“Holders” shall mean registered owners of the Bonds.

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

“Official Statement” shall mean the Official Statement dated as of _____, 2021 and relating to the Bonds.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, as the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2020-21 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent, no later than the date required by subsection (a). The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

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

SECTION 4. Content and Form of Annual Reports. (a) The District’s Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District’s audited financial statements):

- (a) State funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;

- (c) outstanding District indebtedness;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
- (e) assessed value of taxable property in the District, as shown on the most recent equalized assessment roll;
- (f) top 20 largest property taxpayers for the District, as shown in the most recent equalized assessment roll; and
- (g) the property tax levies, collections and delinquencies for the District, for the most recently completed fiscal year, to the extent that the District is no longer on the Teeter Plan.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

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

SECTION 5. Reporting of Significant Events.

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

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

jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

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

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled bond calls.
4. unless described under Section 5(a)(5) above material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.
8. incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the District, any of which affect bondholders.

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

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

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and
- (d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth

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

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated:

SAN MATEO UNION HIGH SCHOOL DISTRICT

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: SAN MATEO UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: 2021 General Obligation Refunding Bonds (Federally Taxable)

Date of Issuance:

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

Dated: _____

SAN MATEO UNION HIGH SCHOOL DISTRICT

By _____ [form only; no signature required]

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF SAN MATEO, BURLINGAME AND FOSTER CITY, THE TOWN OF HILLSBOROUGH AND SAN MATEO COUNTY

The following information regarding the City of San Mateo ("San Mateo"), the City of Burlingame ("Burlingame"), and the City of Foster City ("Foster City," and, together with San Mateo and Burlingame, the "Cities"), the Town of Hillsborough (the "Town") and San Mateo County (the "County"), is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Cities, the Town or the County. This material has been prepared by or excerpted from the sources as noted herein and has not been independently verified by the District, Bond Counsel, the Underwriter or the Municipal Advisor.

General

The City of San Mateo. Located 19 miles south of San Francisco and 30 miles north of San Jose, the City of San Mateo is comprised of an area of 14.6 square miles. It is bordered by the City of Burlingame to the north, the City of Foster City to the east, the City of Belmont to the south, and the Town of Hillsborough to the west. Incorporated in 1894, it became a charter city in 1922. With a council-manager form of government, the City of San Mateo's five City Council members are elected at large to four-year terms, with a Mayor selected from the members each year. As one of the major centers of economic activity in the County, the City of San Mateo is home to over 10,000 businesses, with employment concentrated in professional and financial services, retail, and health, educational and recreational services.

The City of Burlingame. Incorporated in 1908, Burlingame is located on the western shore of the San Francisco Bay approximately 10 miles south of San Francisco and has an area of approximately 6 square miles. It is a general law city and has a council-manager form of government, with a five-member council elected at large to four-year terms. The City Council selects a Mayor from among its members annually. The top three revenue streams for the City of Burlingame are transient occupancy tax, property tax and sales tax. It is known in the San Francisco Bay Area for its desirable retail businesses and restaurants.

The City of Foster City. Incorporated in 1971, Foster City is a general law city with a council-manager form of government. Five council members are elected to staggered four-year terms, with a two-term limit. The City Council also acts as District Board Members for the Estero Municipal Improvement District, which was created in 1960 by the California State Legislature as a general-purpose district with the power to issue municipal bonds. Over the years the bonds issued have been used to fill and reclaim land and provide the infrastructure for a master-planned community built on a former dairy farm and the former salt ponds near the San Francisco Bay. Situated 10 miles south of the San Francisco International Airport, real estate values in the area are currently at historic highs.

The Town of Hillsborough. An affluent community that is purely residential except for its schools and private clubs, the Town of Hillsborough is located west of Highway 101 within a short commute to San Francisco. Incorporated in 1910, the hilly town is well known for its rural nature and has a land area of approximately 6.23 square miles. Governed under the council-manager format, it has a City Council comprised of a Mayor, a Vice-Mayor and three council members. City Council members are elected biennially to staggered four-year terms, and the Mayor and Vice-Mayor are selected each year from among the members.

San Mateo County. One of nine counties in the San Francisco Bay Area, the County was established by State of California (the “State”) law in 1856. It encompasses 20 cities in an area of 455 square miles, on a 50-mile-long peninsula immediately south of San Francisco. The Santa Cruz Mountains bisect the County, with most residents living to the east of them, while west of them remains primarily rural. Governed by a five-member Board of Supervisors, each directly elected by voters in their respective districts to four-year terms, it functions under a charter form of government. Property tax revenues provide its largest economic engine.

Population

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

POPULATION ESTIMATES

2011 through 2020

City of San Mateo, City of Burlingame, City of Foster City, Town of Hillsborough,
San Mateo County and the State of California

| <u>Year⁽¹⁾</u> | <u>City of San Mateo</u> | <u>City of Burlingame</u> | <u>City of Foster City</u> | <u>Town of Hillsborough</u> | <u>San Mateo County</u> | <u>State of California</u> |
|---------------------------|------------------------------|-------------------------------|--------------------------------|---------------------------------|---------------------------------|--------------------------------|
| 2011 | 98,179 | 29,058 | 30,860 | 10,945 | 726,779 | 37,561,624 |
| 2012 | 99,199 | 29,391 | 31,182 | 11,081 | 737,002 | 37,924,661 |
| 2013 | 100,044 | 29,872 | 31,429 | 11,112 | 747,550 | 38,269,864 |
| 2014 | 100,611 | 30,021 | 32,328 | 11,181 | 754,234 | 38,556,731 |
| 2015 | 101,830 | 30,211 | 32,518 | 11,322 | 761,748 | 38,870,150 |
| 2016 | 102,922 | 30,394 | 32,533 | 11,328 | 767,921 | 39,131,307 |
| 2017 | 103,139 | 30,389 | 32,671 | 11,372 | 770,785 | 39,398,702 |
| 2018 | 103,605 | 30,379 | 32,712 | 11,413 | 772,984 | 39,586,646 |
| 2019 | 103,569 | 30,320 | 33,211 | 11,421 | 774,231 | 39,695,376 |
| 2020 | 103,087 | 30,118 | 33,033 | 11,418 | 773,244 | 39,782,870 |

⁽¹⁾ As of January 1.

Source: 2011-20 (2010 Demographic Research Unit Benchmark): California Department of Finance, Released: May 1, 2020.

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Income

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

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

| <u>Year</u> | <u>San Mateo County</u> | <u>State of California</u> | <u>United States</u> |
|-------------|-----------------------------|--------------------------------|----------------------|
| 2010 | \$73,808 | \$43,636 | \$40,547 |
| 2011 | 79,909 | 46,175 | 42,739 |
| 2012 | 88,082 | 48,813 | 44,605 |
| 2013 | 87,731 | 49,303 | 44,860 |
| 2014 | 93,802 | 52,363 | 47,071 |
| 2015 | 102,639 | 55,833 | 49,019 |
| 2016 | 107,670 | 58,048 | 50,015 |
| 2017 | 118,047 | 60,549 | 52,118 |
| 2018 | 128,230 | 63,720 | 54,606 |
| 2019 | 134,107 | 66,619 | 56,490 |

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

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

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

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Principal Employers

The following tables list the principal employers located in the Cities and the County. The Town is primarily residential and is omitted.

PRINCIPAL EMPLOYERS as of June 30, 2020 City of San Mateo

| <u>Employer</u> | <u>Industry</u> | <u>Number of Employees</u> |
|---|---|-----------------------------------|
| County of San Mateo Medical Center | Services: Health | 1,352 |
| Sony Interactive Entertainment America, Playstation America | Business Services: Prepackaged Software | 1,244 |
| San Mateo-Foster City Unified School District | Services: Education | 1,115 |
| San Mateo Union High School District | Services: Education | 1,033 |
| Franklin Templeton Investor | Finance: Investment Offices | 904 |
| San Mateo County Behavioral Health | Services: Health | 630 |
| Net Suite Inc. | Business Services: Prepackaged Software | 600 |
| Rakuten | Business Services: Prepackaged Software | 600 |
| City of San Mateo | Public Administration | 457 |
| San Mateo Community College District | Services: Education | 409 |

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

PRINCIPAL EMPLOYERS as of June 30, 2020 City of Burlingame

| <u>Employer</u> | <u>Industry</u> | <u>Number of Employees</u> |
|--|---|-----------------------------------|
| Mills - Peninsula Medical Center – Sutter Health | Services: Health | 1,980 |
| Lufthansa Service Holding Group Sky Chefs Inc. | Retail Trade: Caterers | 561 |
| Flying Food Group | Retail Trade: Caterers | 433 |
| Hyatt Regency San Francisco Airport | Services: Hotels | 364 |
| Burlingame School District | Services: Education | 351 |
| Lahlouh Inc. | Business Services | 330 |
| Burlingame Long Term Care | Services: Health | 295 |
| Guittard Chocolate Co. | Manufacturing: Chocolate and Cocoa Products | 272 |
| American Medical Response (AMR) | Services Health | 265 |
| Putnam Auto | Retail Trade: Automotive Dealers | 158 |

Source: City of Burlingame Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2020.

PRINCIPAL EMPLOYERS
as of June 30, 2020
City of Foster City

| <u>Employer</u> | <u>Industry</u> | <u>Number of Employees</u> |
|--|---|-----------------------------------|
| Gilead Sciences, Inc. | Manufacturing: Chemicals and Allied Products | 8,268 |
| Visa U.S.A. Inc. | Finance: Non-depository Credit Institutions | 2,263 |
| Visa Technology & Operations LLC, FKA Inovant LLC | Finance: Holding and Other Investment Offices | 1,006 |
| Zoox Inc. | Manufacturing: Transportation Equipment | 530 |
| Cybersource Corporation | Computer Related Services | 435 |
| Illumina Inc. | Manufacturing: Medical | 389 |
| IBM Corporation | Manufacturing: Computer Equipment | 367 |
| City of Foster City | Public Administration | 313 |
| CSG Consultants, Inc. | Business Services: Employment Agencies | 289 |
| Exabeam Inc. | Computer Related Services | 269 |

Source: City of Foster City and Estero Municipal Improvement District Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2020.

PRINCIPAL EMPLOYERS
as of June 30, 2020
San Mateo County

| <u>Company</u> | <u>Industry</u> | <u>Number of Employees</u> |
|--------------------------------|---|-----------------------------------|
| Facebook Inc. | Computer Related Services | 15,407 |
| Genentech Inc. | Manufacturing: Biological Products | 10,023 |
| Oracle Corp. | Manufacturing: Computer Equipment | 7,656 |
| County of San Mateo | Public Administration | 5,640 |
| Gilead Sciences Inc. | Manufacturing: Biological Products | 4,000 |
| You Tube | Computer Related Services | 2,384 |
| Sony Interactive Entertainment | Business Services: Prepackaged Software | 1,650 |
| Robert Half International Inc. | Business Services: Employment Agencies | 1,642 |
| Electronic Arts, Inc. | Business Services: Prepackaged Software | 1,478 |
| SRI International | Noncommercial Research Organizations | 1,418 |

Source: San Mateo County Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2020.

Employment

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

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES 2015 THROUGH 2019⁽¹⁾

City of San Mateo, City of Burlingame, City of Foster City, Town of Hillsborough,
San Mateo County, State of California and the United States

| <u>Year and Area</u> | <u>Labor Force</u> | <u>Employment</u> ⁽²⁾ | <u>Unemployment</u> | <u>Unemployment Rate (%)</u> |
|----------------------|--------------------|----------------------------------|---------------------|------------------------------|
| <u>2016</u> | | | | |
| City of San Mateo | 62,700 | 60,900 | 1,800 | 2.9 |
| City of Burlingame | 17,800 | 17,300 | 500 | 3.0 |
| City of Foster City | 19,500 | 19,000 | 600 | 2.9 |
| Town of Hillsborough | 5,000 | 4,900 | 200 | 3.2 |
| San Mateo County | 441,800 | 428,300 | 13,500 | 3.0 |
| State of California | 19,044,500 | 18,002,800 | 1,041,700 | 5.5 |
| United States | 159,187,000 | 151,436,000 | 7,751,000 | 4.9 |
| <u>2017</u> | | | | |
| City of San Mateo | 63,200 | 61,500 | 1,700 | 2.6 |
| City of Burlingame | 18,000 | 17,500 | 500 | 2.6 |
| City of Foster City | 19,700 | 19,200 | 500 | 2.6 |
| Town of Hillsborough | 5,100 | 4,900 | 100 | 2.8 |
| San Mateo County | 445,500 | 433,400 | 12,100 | 2.7 |
| State of California | 19,205,300 | 18,285,500 | 919,800 | 4.8 |
| United States | 160,320,000 | 153,337,000 | 6,982,000 | 4.4 |
| <u>2018</u> | | | | |
| City of San Mateo | 64,000 | 62,700 | 1,400 | 2.1 |
| City of Burlingame | 18,100 | 17,700 | 400 | 2.2 |
| City of Foster City | 19,700 | 19,300 | 400 | 2.1 |
| Town of Hillsborough | 5,100 | 5,000 | 100 | 2.4 |
| San Mateo County | 449,500 | 439,300 | 10,200 | 2.3 |
| State of California | 19,281,100 | 18,460,400 | 820,700 | 4.3 |
| United States | 162,075,000 | 155,761,000 | 6,314,000 | 3.9 |
| <u>2019</u> | | | | |
| City of San Mateo | 65,500 | 64,300 | 1,300 | 1.9 |
| City of Burlingame | 18,500 | 18,200 | 400 | 1.9 |
| City of Foster City | 20,200 | 19,800 | 400 | 2.0 |
| Town of Hillsborough | 5,200 | 5,100 | 100 | 2.1 |
| San Mateo County | 460,000 | 450,600 | 9,400 | 2.0 |
| State of California | 19,408,300 | 18,623,900 | 784,400 | 4.0 |
| United States | 163,539,000 | 157,538,000 | 6,001,000 | 3.7 |

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

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

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

Industry

The County is part of the San Francisco-San Mateo-Redwood City Metropolitan District (the “MD”). The distribution of employment in the MD is presented in the following table for the last five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2015 through 2019 San Mateo County (San Francisco-San Mateo-Redwood City MD)

| <u>Category</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Total Farm | 1,900 | 1,900 | 1,800 | 1,600 | 1,600 |
| Total Nonfarm | 1,038,900 | 1,080,300 | 1,104,600 | 1,137,300 | 1,178,100 |
| Total Private | 914,500 | 952,600 | 974,800 | 1,005,900 | 1,046,100 |
| Goods Producing | 72,500 | 76,900 | 79,300 | 81,500 | 83,000 |
| Mining and Logging | 100 | 100 | 100 | 100 | 100 |
| Construction | 36,000 | 38,600 | 39,800 | 42,400 | 43,700 |
| Manufacturing | 36,400 | 38,200 | 39,400 | 39,000 | 39,200 |
| Durable Goods | 16,500 | 17,800 | 18,500 | 18,600 | 19,000 |
| Nondurable Goods | 19,900 | 20,400 | 20,900 | 20,400 | 20,200 |
| Service Providing | 966,400 | 1,003,400 | 1,025,300 | 1,055,900 | 1,095,100 |
| Private Service Producing | 842,000 | 875,800 | 895,500 | 924,500 | 963,100 |
| Trade, Transportation and Utilities | 142,600 | 147,600 | 151,300 | 154,100 | 154,400 |
| Wholesale Trade | 25,600 | 25,900 | 26,100 | 26,500 | 26,000 |
| Retail Trade | 80,800 | 81,100 | 81,200 | 80,300 | 78,100 |
| Transportation, Warehousing and Utilities | 36,200 | 40,500 | 43,900 | 47,300 | 50,300 |
| Information | 63,200 | 70,300 | 76,600 | 85,400 | 97,100 |
| Financial Activities | 77,300 | 80,400 | 80,900 | 83,200 | 86,200 |
| Professional and Business Services | 251,900 | 262,100 | 267,200 | 277,900 | 291,100 |
| Educational and Health Services | 129,900 | 133,400 | 136,000 | 138,900 | 145,100 |
| Leisure and Hospitality | 137,100 | 141,400 | 142,400 | 143,600 | 147,700 |
| Other Services | 40,000 | 40,700 | 41,100 | 41,400 | 41,600 |
| Government | <u>124,400</u> | <u>127,700</u> | <u>129,900</u> | <u>131,400</u> | <u>132,000</u> |
| Total, All Industries | <u>1,040,800</u> | <u>1,082,200</u> | <u>1,106,500</u> | <u>1,138,900</u> | <u>1,179,600</u> |

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

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

Commercial Activity

Summaries of annual taxable sales for the Cities, the Town and the County for the last five years are shown in the following tables.

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

| | | Retail and Food Services: Taxable | | Total All Outlets: Taxable |
|-------------|---------------------------|---|----------------------|-------------------------------|
| <u>Year</u> | <u>Retail Permits</u> | <u>Transactions</u> | <u>Total Permits</u> | <u>Transactions</u> |
| 2015 | 2,506 | \$1,367,103 | 3,898 | \$1,639,304 |
| 2016 | 2,491 | 1,343,306 | 3,910 | 1,606,175 |
| 2017 | 2,442 | 1,349,365 | 3,829 | 1,652,321 |
| 2018 | 2,447 | 1,366,771 | 4,000 | 1,647,756 |
| 2019 | 2,423 | 1,393,982 | 4,012 | 1,650,542 |

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

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

ANNUAL TAXABLE SALES 2015 through 2019 City of Burlingame (Dollars in Thousands)

| | | Retail and Food Services: Taxable | | Total All Outlets: Taxable |
|-------------|---------------------------|---|----------------------|-------------------------------|
| <u>Year</u> | <u>Retail Permits</u> | <u>Transactions</u> | <u>Total Permits</u> | <u>Transactions</u> |
| 2015 | 909 | \$760,632 | 1,667 | \$1,067,078 |
| 2016 | 930 | 741,286 | 1,671 | 1,036,935 |
| 2017 | 911 | 766,753 | 1,647 | 1,077,352 |
| 2018 | 917 | 847,023 | 1,729 | 1,188,032 |
| 2019 | 906 | 863,949 | 1,737 | 1,239,939 |

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

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

**ANNUAL TAXABLE SALES
2015 through 2019
City of Foster City
(Dollars in Thousands)**

| <u>Year</u> | <u>Retail Permits</u> | <u>Retail and Food Services: Taxable Transactions</u> | <u>Total Permits</u> | <u>Total All Outlets: Taxable Transactions</u> |
|-------------|---------------------------|---|----------------------|--|
| 2015 | 347 | \$230,951 | 603 | \$287,557 |
| 2016 | 350 | 221,134 | 583 | 271,491 |
| 2017 | 354 | 244,870 | 579 | 305,821 |
| 2018 | 351 | 247,266 | 626 | 309,911 |
| 2019 | 347 | 240,203 | 634 | 287,878 |

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

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

**ANNUAL TAXABLE SALES
2015 through 2019
Town of Hillsborough
(Dollars in Thousands)**

| <u>Year</u> | <u>Retail Permits</u> | <u>Retail and Food Services: Taxable Transactions</u> | <u>Total Permits</u> | <u>Total All Outlets: Taxable Transactions</u> |
|-------------|---------------------------|---|----------------------|--|
| 2015 | 117 | \$1,381 | 196 | \$8,125 |
| 2016 | 106 | 2,602 | 179 | 8,497 |
| 2017 | 99 | 2,500 | 167 | 8,641 |
| 2018 | 95 | 1,562 | 182 | 8,501 |
| 2019 | 96 | 1,642 | 185 | 9,432 |

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

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

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

| | | Retail and Food Services: Taxable | | Total All Outlets: Taxable |
|-------------|---------------------------|--|----------------------|---------------------------------------|
| <u>Year</u> | <u>Retail Permits</u> | <u>Transactions</u> | <u>Total Permits</u> | <u>Transactions</u> |
| 2015 | 12,744 | \$10,463,011 | 21,581 | \$15,639,825 |
| 2016 | 12,909 | 10,557,452 | 21,805 | 15,821,970 |
| 2017 | 12,744 | 11,132,627 | 21,534 | 16,736,448 |
| 2018 | 12,802 | 11,674,214 | 22,554 | 17,547,096 |
| 2019 | 12,817 | 12,034,590 | 22,908 | 18,286,057 |

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

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

Construction Activity

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

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

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------|----------------|----------------|----------------|----------------|---------------|
| Valuation | | | | | |
| Residential | \$153,042 | \$80,972 | \$138,035 | \$61,325 | \$147,834 |
| Non-residential | <u>221,918</u> | <u>105,021</u> | <u>289,074</u> | <u>178,120</u> | <u>56,812</u> |
| Total | \$374,960 | \$185,993 | \$427,109 | \$239,445 | \$204,646 |
| Units: | | | | | |
| Single family | 100 | 36 | 72 | 8 | 15 |
| Multiple family | <u>323</u> | <u>74</u> | <u>373</u> | <u>63</u> | <u>332</u> |
| Total | 423 | 110 | 445 | 71 | 347 |

Note: Columns may not sum to totals because of rounding.

Source: Construction Industry Research Board.

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

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Valuation | | | | | |
| Residential | \$32,940 | \$38,911 | \$156,166 | \$120,462 | \$44,787 |
| Non-residential | <u>24,191</u> | <u>61,402</u> | <u>153,163</u> | <u>15,566</u> | <u>21,371</u> |
| Total | \$57,131 | \$100,313 | \$309,329 | \$136,028 | \$66,158 |
| Units: | | | | | |
| Single family | 15 | 20 | 14 | 17 | 24 |
| Multiple family | <u>0</u> | <u>0</u> | <u>10</u> | <u>279</u> | <u>26</u> |
| Total | 15 | 20 | 24 | 296 | 50 |

Note: Columns may not sum to totals because of rounding.

Source: Construction Industry Research Board.

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

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Valuation | | | | | |
| Residential | \$90,077 | \$39,422 | \$10,670 | \$12,004 | \$26,750 |
| Non-residential | <u>139,270</u> | <u>180,771</u> | <u>185,388</u> | <u>192,713</u> | <u>27,749</u> |
| Total | \$229,347 | \$220,193 | \$196,058 | \$204,717 | \$54,499 |
| Units: | | | | | |
| Single family | 0 | 0 | 0 | 0 | 21 |
| Multiple family | <u>346</u> | <u>74</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | 346 | 74 | 0 | 0 | 21 |

Note: Columns may not sum to totals because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2015 through 2019
Town of Hillsborough
(Dollars in Thousands)

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Valuation | | | | | |
| Residential | \$54,654 | \$48,268 | \$58,721 | \$44,786 | \$38,821 |
| Non-residential | <u>673</u> | <u>859</u> | <u>1,291</u> | <u>144</u> | <u>1,696</u> |
| Total | \$55,327 | \$49,127 | \$60,012 | \$44,930 | \$40,517 |
| Units: | | | | | |
| Single family | 26 | 19 | 24 | 18 | 19 |
| Multiple family | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | 26 | 19 | 24 | 18 | 19 |

Note: Columns may not sum to totals because of rounding.

Source: Construction Industry Research Board.

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

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Valuation | | | | | |
| Residential | \$1,041,468 | \$1,015,135 | \$1,052,535 | \$950,939 | \$1,174,939 |
| Non-residential | <u>1,010,485</u> | <u>1,613,446</u> | <u>2,390,996</u> | <u>2,555,752</u> | <u>1,419,871</u> |
| Total | \$2,051,953 | \$2,628,581 | \$3,443,531 | \$3,506,691 | \$2,594,810 |
| Units: | | | | | |
| Single family | 521 | 458 | 411 | 443 | 497 |
| Multiple family | <u>1,386</u> | <u>1,319</u> | <u>1,169</u> | <u>1,046</u> | <u>1,049</u> |
| Total | 1,907 | 1,777 | 1,580 | 1,489 | 1,546 |

Note: Columns may not sum to totals because of rounding.
Source: Construction Industry Research Board.

APPENDIX E

SAN MATEO COUNTY TREASURY POOL

The following information concerning the San Mateo County (the “County”) Treasury Pool (the “Treasury Pool”) has been provided by the County Treasurer-Tax Collector (the “Treasurer”), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. Neither the District, the Municipal Advisor nor the Underwriter has made an independent investigation of the investments in the Treasury Pool nor any assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Municipal Advisor nor the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: <https://treasurer.smcgov.org/>. However, the information presented on such website is not incorporated into this Official Statement by any reference.