The information contained in this Preliminary Official Statement has been deemed by the District to be final as of the date hereof; however, the information contained herein is subject to completion or amendment. These securities may not be sold, nor may offers to buy 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 prior to registration or qualification under the securities laws of such jurisdiction.

Draft March 2

PRELIMINARY OFFICIAL STATEMENT DATED _________, 2022

NEW ISSUE
DTC BOOK-ENTRY ONLY

S&P Rating: "___"
See "RATING" herein

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the District Resolution authorizing the Bonds and subject to the matters set forth under "LEGAL MATTERS—Tax Matters" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. See "LEGAL MATTERS—Tax Matters" herein.

LGUSD

$__,___,000*
Los Gatos Union School District
(Santa Clara County, California)
2022 General Obligation Refunding Bonds

DATED: Date of Delivery **DUE: August 1, as shown on the inside cover**

The Los Gatos Union School District (Santa Clara County, California) 2022 General Obligation Refunding Bonds (the "Bonds") in the aggregate principal amount of $__,___,000* are being issued by the Los Gatos Union School District (the "District") to (i) refund certain outstanding general obligation bonds of the District and (ii) pay certain costs of issuance of the Bonds. See "PLAN OF REFUNDING" herein.

The Bonds are general obligation bonds of the District payable from *ad valorem* property taxes levied and collected by the County of Santa Clara against taxable property located within the District's boundaries. The Board of Supervisors of the County of Santa Clara is empowered and obligated to annually levy and collect *ad valorem* property taxes without limitation as to rate or amount on all taxable property within the boundaries of the District (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.

The Bonds are being issued as current interest bonds in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1 in the years and amounts set forth on the inside cover page hereof. Interest on the Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2022. The Bonds are subject to redemption prior to maturity. See "THE BONDS—Payment of Principal and Interest" and "—Redemption Provisions" herein.

The Bonds are being issued as fully registered bonds, without coupons, in book-entry form only. When delivered, the Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), acting as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only, and only in authorized denominations as described in this Official Statement. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by U.S. Bank Trust Company, National Association (the "Paying Agent") to DTC for subsequent disbursement to DTC participants who will remit such payments to the Beneficial Owners. See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELEVANT TO AN INVESTMENT IN THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED WILL HAVE THEIR MEANINGS SET FORTH HEREIN.

Maturity Schedule

See Inside Cover Page

The Bonds are offered when, as, and if issued by the District and received by the Underwriter, subject to approval as to their legality by Dannis Woliver Kelley, Bond Counsel, and subject to certain other conditions. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about May 3, 2022.

This Official Statement is dated ________, 2022.

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*Preliminary, subject to adjustment.

$__,___,000*
Los Gatos Union School District
(Santa Clara County, California)
2022 General Obligation Refunding Bonds

Maturity Schedule

Maturity Date August 1	Principal Amount*	Interest Rate	Yield	Price	CUSIP+
2022	$_,___,000				545522 ___
2023	_,___,000				545522 ___
2024	_,___,000				545522 ___
2025	___,000				545522 ___
2026	___,000				545522 ___
2027	___,000				545522 ___
2028	___,000				545522 ___
2029	___,000				545522 ___
2030	___,000				545522 ___
2031	___,000				545522 ___
2032	___,000				545522 ___
2033	___,000				545522 ___
2034	___,000				545522 ___
2035	___,000				545522 ___
2036	___,000				545522 ___
2037	___,000				545522 ___

* Preliminary; subject to adjustment

+CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. Neither the District nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

Rule 15c2-12. For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information provided by Rule 15c2-12.

No Unlawful Offers of Solicitations. This Official Statement does not constitute an offer to sell nor 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 an offer, solicitation or sale.

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

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

Website. The District maintains a website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based change.

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

Stabilization of and Changes to Offering Prices. In connection with the offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof, and such public offering prices may be changed from time to time by the Underwriter.

$__,___,000*
Los Gatos Union School District
(Santa Clara County, California)
2022 General Obligation Refunding Bonds

District Administration

Paul Johnson, Superintendent
Sarah Tellez, Assistant Superintendent-Educational Services/Human Resources
Terese McNamee, Chief Business Official

Los Gatos Union School District
17010 Roberts Road
Los Gatos, California 95032
(408) 335-2000

Municipal Advisor

Government Financial Strategies inc.
1228 N Street, Suite 13
Sacramento, California 95814
(916) 444-5100

Bond Counsel

Dannis Woliver Kelley
750 B Street, Suite 2600
San Diego, California 92101
(619) 595-0202

Paying Agent and 2010 / 2011A Escrow Agent

U.S. Bank Trust Company, National Association
1 California Street, 10th Floor
San Francisco, California 94111
(415) 677-3699

2012 Escrow Agent

The Bank of New York Mellon Trust Company, N.A.
2001 Bryan Street, 10th Floor
Dallas, Texas 75201
(214) 468-6145

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* Preliminary; subject to adjustment

$__,___,000*
Los Gatos Union School District
(Santa Clara County, California)
2022 General Obligation Refunding Bonds

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* Preliminary; subject to adjustment

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$__,___,000*
Los Gatos Union School District
(Santa Clara County, California)
2022 General Obligation Refunding Bonds

OFFICIAL STATEMENT

INTRODUCTORY INFORMATION

General

The purpose of this Official Statement, which includes the cover page, inside cover page, table of contents and attached appendices (the "Official Statement"), is to provide certain information concerning the sale and delivery of the Los Gatos Union School District (Santa Clara County, California) 2022 General Obligation Refunding Bonds issued in the aggregate principal amount of $__,___,000* (the "Bonds").

This INTRODUCTORY INFORMATION is not a summary of this Official Statement—it is only a brief description of and guide to this Official Statement. This INTRODUCTORY INFORMATION is qualified by more complete and detailed information contained in this entire Official Statement. A full review of this entire Official Statement should be made by a person interested in investing in the Bonds. The offering of the Bonds to potential investors is made only by means of this entire Official Statement.

The District

Los Gatos Union School District (the "District"), a political subdivision of the State of California (the "State"), was established in 1863. The District occupies approximately eight square miles in the southwest portion of the County of Santa Clara (the "County") and serves a population of approximately 29,100 people residing primarily in the Town of Los Gatos as well as portions of the City of Monte Sereno, the City of San Jose and surrounding unincorporated areas. The District operates four elementary schools and one middle school providing education to approximately 2,631 students in transitional kindergarten through eighth grade. The District is governed by a five-member elected Board of Trustees (the "District Board"). See "THE DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein.

Purpose of Bonds

The Bonds are being issued by the District to (i) refund the Los Gatos Union School District (Santa Clara County, California) 2010 General Obligation Refunding Bonds (the "2010 Bonds") maturing on August 1, 2022 through August 1, 2026, inclusive (the "Refunded 2010 Bonds"), the Los Gatos Union School District (Santa Clara County, California) Election of 2010 General Obligation Bonds, Series 2011A (the "2011A Bonds") maturing on August 1, 2026 through August 1, 2035, inclusive (the "Refunded 2011A Bonds"), and the Los Gatos Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2010, Series 2012 (the "2012 Bonds") maturing on August 1, 2023 through August 1, 2037, inclusive (the "Refunded 2012 Bonds" and, together with the Refunded 2010 Bonds and the Refunded 2011A Bonds, the "Refunded Bonds") and (ii) pay certain costs of issuance of the Bonds. See "PLAN OF REFUNDING" herein.

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* Preliminary; subject to adjustment

Authority for Issuance

The Bonds are being issued by the District under and pursuant to the California Constitution (the "State Constitution"), certain provisions of the California Government Code (the "Government Code"), a resolution adopted by the District Board on March 10, 2022 (the "District Resolution") and a paying agent agreement by and between the District and U.S. Bank Trust Company, National Association (the "Paying Agent") dated [May 1, 2022] (the "Paying Agent Agreement"). See "THE BONDS—Authority for Issuance" herein.

Description of the Bonds

The Bonds are being issued as fully registered bonds, without coupons, in book-entry form only. When delivered, the Bonds will be initially registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by the Paying Agent to DTC for subsequent disbursement to DTC participants who will remit such payments to the beneficial owners of the Bonds (the "Beneficial Owners"). See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

The Bonds are being issued as current interest bonds in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds are dated their date of delivery and mature on August 1 in each of the years and in the amounts set forth on the inside cover page hereof. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2022. Interest on the Bonds is calculated on the basis of a 360-day year comprised of 12 months of 30 days each. See "THE BONDS—Payment of Principal and Interest" herein.

The Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption Provisions" herein.

Source of Payment for the Bonds

The Bonds are general obligation bonds of the District payable from *ad valorem* property taxes, levied pursuant to the provisions of the State Constitution and other State law, which the Board of Supervisors of the County of Santa Clara (the "County Board") is empowered and obligated to annually levy and collect, without limitation as to rate or amount, on all taxable property within the boundaries of the District (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds, and from amounts on deposit in the Interest and Sinking Fund (as defined herein). See "SECURITY AND SOURCE OF PAYMENT" herein.

Tax Matters

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District ("Bond Counsel"), under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the District Resolution authorizing the Bonds and subject to the matters set forth under "LEGAL MATTERS—Tax Matters" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. See "LEGAL MATTERS—Tax Matters" herein. The form of the proposed opinion of Bond Counsel relating to the Bonds is included with this Official Statement. See "APPENDIX C—FORM OF OPINION OF BOND COUNSEL" attached hereto.

Continuing Disclosure

The District will covenant for the benefit of the Underwriter, the Registered Owners (as defined herein) and the Beneficial Owners to make available annually certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Securities and Exchange Commission (the "SEC") Rule 15c2-12(b)(5). The specific nature of the information to be made available annually and the enumerated events for which notice will be given are set forth in "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. See also "CONTINUING DISCLOSURE" herein.

Professionals Involved

Certain proceedings in connection with the sale and delivery of the Bonds are subject to the approving legal opinion of Dannis Woliver Kelley as Bond Counsel to the District. Government Financial Strategies inc., Sacramento, California, is acting as municipal advisor (the "Municipal Advisor") to the District with respect to the Bonds. See "MUNICIPAL ADVISOR" herein. U.S. Bank Trust Company, National Association will act as paying agent with respect to the Bonds and escrow agent (the "2010 / 2011A Escrow Agent") with respect to the Refunded 2010 Bonds and the Refunded 2011A Bonds. The Bank of New York Mellon Trust Company, N.A. will act as escrow agent (the "2012 Escrow Agent" and, together with the 2010 / 2011A Escrow Agent, the "Escrow Agents") with respect to the Refunded 2012 Bonds. Bond Counsel, the Paying Agent and the Escrow Agents will receive compensation contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement may be considered current only as of its date that has been made a part of the cover page hereof, and the information contained herein is subject to change. A description of the Bonds and the District, together with summaries of certain provisions of the District Resolution, the Paying Agent Agreement and other legal documents related to the Bonds (collectively, the "Legal Documents") are included in this Official Statement. Such summaries do not purport to be comprehensive or definitive, and all references made herein to the Legal Documents approved by the District are qualified in their entirety by reference to such documents, and all references made herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Legal Documents.

Interested parties may obtain copies of the Legal Documents, audited financial statements, annual budgets, or other information which is generally made available to the public by contacting Los Gatos Union School District, 17010 Roberts Road, Los Gatos, California 95032, telephone (408) 335-2000, Attention: Chief Business Official, or by contacting the Municipal Advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100.

THE BONDS

Purpose

The Bonds are being issued by the District to (i) refund the 2010 Bonds maturing on August 1, 2022 through August 1, 2026, inclusive, and referred to as the "Refunded 2010 Bonds," the 2011A Bonds maturing on August 1, 2026 through August 1, 2035, inclusive, and referred to as the "Refunded 2011A Bonds," and the 2012 Bonds maturing on August 1, 2023 through August 1, 2037, inclusive, and referred to as the "Refunded 2012 Bonds" and (ii) pay certain costs of issuance of the Bonds. See "PLAN OF REFUNDING" herein.

Authority for Issuance

The Bonds are being issued by the District in accordance with the provisions of Government Code Sections 53550 and 53580 *et seq.,* and all laws amendatory to or supplemental thereof, and pursuant to the provisions of the District Resolution and the Paying Agent Agreement. The District may issue bonds payable from *ad valorem* property taxes without a vote of the electors solely in order to refund other outstanding general obligation bonds which were originally approved by such a vote, provided that the total net interest cost to maturity plus the principal amount of the refunding bonds does not exceed the total net interest cost to maturity plus the principal amount of the bonds being refunded.

The 2010 Bonds refunded general obligation bonds of the District authorized at an election held on June 5, 2001 (the "2001 Authorization"). The 2011A Bonds and the 2012 Bonds were authorized at an election held on June 8, 2010 (the "2010 Authorization"). See "DISTRICT FINANCIAL INFORMATION—Long-Term Borrowings" herein.

Form and Initial Registration

The Bonds will be initially executed and delivered as one fully registered bond for each maturity in a denomination corresponding to the total principal amount represented by the Bonds payable on such date, without coupons, in the name of Cede & Co., as nominee of DTC, acting as securities depository for the Bonds. Purchases of Bonds under the DTC book-entry system must be made by or through a DTC participant in the principal amount of $5,000 or integral multiples thereof for each maturity, and ownership interests in Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, Beneficial Owners will not receive physical certificates representing their ownership interests in the Bonds. See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

Pursuant to the District Resolution, the Paying Agent will keep and maintain for and on behalf of the District, at the principal corporate trust office of the Paying Agent, registration books (the "Registration Books") for recording the owners of the Bonds (the "Registered Owners"), the transfer and exchange of the Bonds, and the payment of the principal of and interest on the Bonds to the Registered Owners. All transfers and exchanges of the Bonds will be noted in the Registration Books.

The person in whose name a Bond is registered on the Registration Books will be regarded as the absolute owner of that Bond for all purposes of the District Resolution. Payment of or on account of the principal of and interest on any Bond will be made only to or upon the order of that person; neither the District nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the District Resolution.

So long as the Bonds are registered in the name of Cede & Co., or its registered assigns, as nominee for DTC, references in this Official Statement to the Registered Owners mean Cede & Co., or its registered assigns, and do not mean the purchasers or Beneficial Owners of the Bonds.

Payment of Principal and Interest

The Bonds are dated their date of delivery and mature on August 1 in each of the years and in the amounts set forth on the inside cover page hereof. The Bonds are issued in denominations of $5,000 principal amount, or any integral multiple thereof. Interest on the Bonds is calculated on the basis of a 360-day year comprised of 12 months of 30 days each. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year (each, an "Interest Date"), commencing August 1, 2022, at the annual interest rates shown on the inside cover page hereof.

Each Bond bears interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the fifteenth day of the calendar month immediately preceding such Interest Date whether or not such day is a business day (the "Record Date") and on or prior to the succeeding Interest Date, in which event it bears interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date, in which event it bears interest from its dated date; provided, however, that if, at the time of authentication of any Bond, interest is in default on any outstanding Bond, such Bond bears interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Bonds.

The principal of and interest on the Bonds is payable in lawful money of the United States of America. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by the Paying Agent to DTC in immediately available funds on the date due for subsequent disbursement to DTC participants who will remit such payments to the Beneficial Owners. See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

In the event the book-entry system is no longer in use, interest on the Bonds is payable on each Interest Date in lawful money of the United States of America to the Registered Owner thereof as of the Record Date preceding such Interest Date, such interest to be paid by check or draft mailed on such Interest Date (if a business day, or on the next business day if the Interest Date does not fall on a business day) to such Registered Owner at such Registered Owner's address as it appears on the Registration Books or at such address as the Registered Owner may have filed with the Paying Agent; provided, however, that such payment will be made by wire transfer of immediately available funds to any Registered Owner of at least $1,000,000 of outstanding Bonds who has requested in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Interest Date. The principal of the Bonds is payable upon the surrender thereof at the principal corporate trust office of the Paying Agent.

Redemption Provisions

Optional Redemption. The Bonds maturing on or after August 1, 2031 are subject to redemption prior to their respective stated maturities, at the option of the District, as a whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any source of available funds, on any date on or after August 1, 2030, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

[Mandatory Sinking Fund Redemption. The Bond maturing by its term on August 1, 20__ (the "20__ Term Bond") is subject to mandatory redemption prior to its stated maturity, in part, by lot, from mandatory sinking fund payments on August 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to 100 percent of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the 20__ Term Bond has been optionally redeemed, the aggregate principal amount of the 20__ Term Bond to be redeemed will be reduced as specified by the District, or if not specified, on a *pro rata* basis in integral multiples of $5,000.

Mandatory Sinking Fund Redemption Schedule
$______ 20__ Term Bond

Redemption Date (August 1)	Mandatory Redemption Payment
20__	$_______
20__ [1]	$_______

[1]Indicates maturity of the $_______ 20__ Term Bond.]

Selection of Bonds for Redemption. If less than all of the Bonds are subject to such redemption and are called for redemption, such Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District, and if less than all of the Bonds of any given maturity are called for redemption, the portions of such Bonds of a given maturity to be redeemed will be determined by lot.

Notice of Redemption. Notice of any redemption of the Bonds is required to be mailed by the Paying Agent, postage prepaid, not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Registered Owners thereof at the addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the continuing disclosure certificate of the District. See "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Each notice of redemption will state (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Bonds to be redeemed; (vi) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (vii) the CUSIP number, if any, of each Bond to be redeemed; (viii) a statement that such Bonds must be surrendered by the Registered Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (ix) notice that further interest on such Bonds will not accrue after the designated redemption date; and (x) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice.

Effect of Notice. A certificate of the Paying Agent or the District that notice of redemption has been given to the Registered Owners will be conclusive as against all parties. Neither the failure to receive the notice of redemption nor any defect in such notice affects the sufficiency of the proceedings for the redemption of the Bonds or the cessation of interest on the date fixed for redemption. When notice of redemption has been given substantially as provided for in the District Resolution, and when the redemption price of the Bonds called for redemption is set aside for such purpose, the Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Registered Owners of such Bonds so called for redemption after such redemption date will be entitled to payment thereof only from the interest and sinking fund of the District (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Registered Owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Funds for Redemption. Prior to or on the redemption date of any Bonds, there shall be available in the Interest and Sinking Fund, or held in trust for such purpose as provided by law, moneys for the purpose and sufficient to redeem, at the redemption prices provided for in the District Resolution, the Bonds designated in the notice of redemption. Such moneys will be applied on or after the redemption date solely for payment of principal of, interest and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds, provided that all moneys in the Interest and Sinking Fund will be used for the purposes established and permitted by law. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Interest and Sinking Fund or otherwise held in trust for the payment of redemption price of the Bonds, the moneys will be held or returned or transferred to the Interest and Sinking Fund for payment of any outstanding general obligation bonds of the District payable from such fund; provided however that if the moneys are part of the proceeds of general obligation bonds of the District, the moneys shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such general obligation bonds of the District are at such time outstanding, the moneys will be transferred to the general fund of the District (the "General Fund") as provided and permitted by law.

Transfer and Exchange of Bonds

Except as provided below, DTC will be the Registered Owner of all of the Bonds, and the Bonds will be registered in the name of Cede & Co., as nominee for DTC. The Paying Agent and the District may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for all purposes of the District Resolution and the Paying Agent Agreement, and neither the Paying Agent nor the District will be affected by any notice to the contrary. The Paying Agent and the District have no responsibility or obligation to any depository system participant, any person claiming to be a Beneficial Owner, or any other person not shown on the Registration Books as being a Registered Owner, with respect to the accuracy of any records maintained by DTC or any DTC participant or the payment by DTC or any DTC participant of any amount with respect to the principal of or interest on the Bonds. The District will cause to be paid all principal of and interest on the Bonds only to DTC, and all such payments will be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC will receive a Bond. See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

Registered ownership of Bonds issued in book-entry form, or any portions thereof, may not be transferred except: (i) to any successor of DTC or its nominee, or to any substitute depository designated pursuant to clause (ii) below (a "substitute depository"); provided that any successor of DTC or substitute depository must be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute depository upon (a) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (b) a determination by the District that DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository must be qualified under any applicable laws to provide the services proposed to be provided by it; or (iii) to any person as provided in the District Resolution and summarized below, upon (a) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository, provided that no substitute depository which is not objected to by the District can be obtained, or (b) a determination by the District that it is in the best interests of the District to remove DTC or its successor (or any substitute depository or its successor) from its function as depository.

If the book-entry system as described herein is no longer used with respect to the Bonds, the provisions in the District Resolution, summarized below, will govern the transfer and exchange of Bonds.

Any Bond may be transferred upon the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation to the Paying Agent, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. Bonds may be exchanged for Bonds of other authorized denominations of the same maturity and interest rate, by the Registered Owner thereof, in person or by the duly authorized attorney of such Registered Owner, upon surrender of such Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed request for exchange in a form approved by the Paying Agent.

Whenever any Bond or Bonds is surrendered for transfer or exchange, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, of the same maturity and interest rate for a like aggregate principal amount. The Paying Agent may require the payment by any Registered Owner of Bonds requesting any such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange.

Neither the District nor the Paying Agent will be required to transfer or exchange any Bonds (i) during the period from the Record Date next preceding any Interest Date to such Interest Date, (ii) during the period beginning with the opening of business on the 15th business day next preceding any date of selection of Bonds to be redeemed and ending with the close of business on the day on which the applicable notice of redemption is given, or (iii) which have been selected or called for redemption in whole or in part.

Defeasance

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent, at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the escrow account or the Interest and Sinking Fund, as applicable, be fully sufficient to pay and discharge the obligation of such Bonds, at or before their respective maturity dates.

If at any time the District pays or causes to be paid or there is otherwise paid to the Registered Owners of any or all of the outstanding Bonds all or any part of the principal, interest and premium, if any, on the Bonds at the times and in the manner provided in the District Resolution and in the Bonds, or as provided in the preceding paragraph, or as otherwise provided by law, then all liability of the District in respect of such Bond will cease and be completely discharged.

Unclaimed Moneys

Any money held in any fund created pursuant to the District Resolution, or held by the Paying Agent or an escrow agent in trust, for the payment of the principal of, redemption premium, if any, or interest on the Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable, whether by maturity or upon prior redemption, will be transferred to the Interest and Sinking Fund for payment of any outstanding general obligation bonds of the District payable from the fund, or, if no such bonds of the District are at such time outstanding, the moneys will be transferred to the General Fund as provided and permitted by law.

Paying Agent

U.S. Bank Trust Company, National Association will act as the bond registrar, paying agent and transfer agent for the Bonds unless and until replaced by the District with a successor paying agent as described in the District Resolution. As long as Cede & Co or a successor nominee of DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice to Registered Owners only to DTC. Any failure of DTC to advise any DTC participant or of any DTC participant to notify any Beneficial Owner of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to any action premised on such notice. The Paying Agent, the District and the Underwriter have no responsibility or liability for any aspects of the records relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising, or reviewing any records relating to beneficial ownership of interests in the Bonds.

PLAN OF REFUNDING

Application and Investment of Bond Proceeds

A portion of the proceeds of the sale of the Bonds will be transferred to the 2010 / 2011A Escrow Agent for irrevocable deposit into an escrow fund (the "2010 / 2011A Escrow Fund") to be created and maintained by the 2010 / 2011A Escrow Agent under an escrow and deposit agreement (the "2010 / 2011A Escrow Agreement") dated as of [May 1, 2022], by and between the District and the 2010 / 2011A Escrow Agent. The moneys in the 2010 / 2011A Escrow Fund will be held in cash, uninvested, and will be sufficient for the payment of the interest coming due and payable to the date fixed for redemption plus the redemption amount of the Refunded 2010 Bonds and the Refunded 2011A Bonds.

A portion of the proceeds of the sale of the Bonds will be transferred to the 2012 Escrow Agent for irrevocable deposit into an escrow fund (the "2012 Escrow Fund") to be created and maintained by the 2012 Escrow Agent under an escrow and deposit agreement (the "2012 Escrow Agreement") dated as of [May 1, 2022], by and between the District and the 2012 Escrow Agent. A portion of the moneys in the 2012 Escrow Fund will be held in cash, uninvested, with the remaining portion invested in non-callable direct obligations of the United States Treasury or other non-callable obligations, the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America. Moneys deposited in the 2012 Escrow Fund together with the interest earnings thereon will be sufficient for the payment of the interest coming due and payable to the date fixed for redemption plus the redemption amount of the Refunded 2012 Bonds.

A portion of the proceeds of the sale of the Bonds will be transferred to the Paying Agent for deposit into a costs of issuance fund (the "Costs of Issuance Account") to pay costs associated with the issuance of the Bonds. Any proceeds of the sale of the Bonds deposited in the Costs of Issuance Account not needed to pay costs of issuance of the Bonds will be used to pay debt service on the Bonds.

Permitted Investments

Under State law, the District is generally required to pay all moneys received from any source into the County of Santa Clara treasury (the "County Treasury") to be held by the County of Santa Clara Director of Finance (the "County Director of Finance") on behalf of the District. All funds held by the County Director of Finance in the Interest and Sinking Fund are expected to be invested at the sole discretion of the County Director of Finance, on behalf of the District, in such investments as are authorized by Government Code Sections 16429.1, 53601 and 53635 and following, and by the investment policy of the County (the "County Investment Policy"), as either may be amended or supplemented from time to time. See "SANTA CLARA COUNTY TREASURY POOL" herein and "APPENDIX D—SANTA CLARA COUNTY TREASURY INVESTMENT POLICY" attached hereto.

Sources and Uses of Funds

The sources and uses of funds in connection with the sale and delivery of the Bonds are set forth in the following table.

Sources and Uses of Funds
2022 General Obligation Refunding Bonds

Sources of Funds	
Par Amount of Bonds	$
Net Original Issue Premium	
Total Sources of Funds	$
Uses of Funds	
2010 / 2011A Escrow Fund	$
2012 Escrow Fund	
Costs of Issuance Account[1]	
Underwriter's Discount	
Total Uses of Funds	$

[1]The Costs of Issuance Account will be used to pay costs of issuance of the Bonds, including fees and expenses of Bond Counsel, the Municipal Advisor, the Paying Agent, the Escrow Agents, the Verification Agent and the rating agency and certain other expenses related to the issuance of the Bonds.

The Refunded Bonds

The Bonds are being issued by the District to (i) refund the 2010 Bonds maturing on August 1, 2022 through August 1, 2026, inclusive, and referred to as the "Refunded 2010 Bonds," the 2011A Bonds maturing on August 1, 2026 through August 1, 2035, inclusive, and referred to as the Refunded 2011A Bonds, and the 2012 Bonds maturing on August 1, 2023 through August 1, 2037, inclusive, and referred to as the "Refunded 2012 Bonds" and (ii) pay certain costs of issuance of the Bonds. Together, the Refunded 2010 Bonds, the Refunded 2011A Bonds and the Refunded 2012 Bonds are referred to as the "Refunded Bonds."

Causey Demgen & Moore P.C., acting as verification agent (the "Verification Agent") with respect to the Refunded Bonds, will certify in writing that moneys irrevocably deposited into the 2010 / 2011A Escrow Fund will be sufficient for the payment of the interest coming due and payable to the date fixed for redemption plus the redemption amount of the Refunded 2010 Bonds and Refunded 2011A Bonds, both redeemable on May 13, 2022, at a price of 100 percent of par, and that moneys irrevocably deposited into the 2012 Escrow Fund, together with interest earning thereon, will be sufficient for the payment of the interest coming due and payable to the date fixed for redemption plus the redemption amount of the Refunded 2012 Bonds, redeemable on August 1, 2022, at a price of 100 percent of par. Upon such irrevocable deposit, the Refunded Bonds will be deemed paid, defeased and no longer outstanding.

The Refunded 2010 Bonds are detailed in the following table.

Refunded 2010 Bonds
Los Gatos Union School District

Maturity Date	Principal Amount	CUSIP[1]	Redemption Date	Redemption Price as a Percentage of Par
August 1, 2022	$2,645,000	545522 MT8	May 13, 2022	100%
August 1, 2023	2,780,000	545522 MU5	May 13, 2022	100
August 1, 2024	2,990,000	545522 MV3	May 13, 2022	100
August 1, 2025	675,000	545522 MW1	May 13, 2022	100
August 1, 2026	670,000	545522 MX9	May 13, 2022	100

[1]CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

The Refunded 2011A Bonds are detailed in the following table.

Refunded 2011A Bonds
Los Gatos Union School District

Maturity Date	Principal Amount	CUSIP[1]	Redemption Date	Redemption Price as a Percentage of Par
August 1, 2026	$480,000	545522 NF7	May 13, 2022	100%
August 1, 2027	490,000	545522 NG5	May 13, 2022	100
August 1, 2028	515,000	545522 NH3	May 13, 2022	100
August 1, 2029	540,000	545522 NJ9	May 13, 2022	100
August 1, 2030	570,000	545522 NK6	May 13, 2022	100
August 1, 2031	570,000	545522 NL4	May 13, 2022	100
August 1, 2032	600,000	545522 NM2	May 13, 2022	100
August 1, 2033	630,000	545522 NN0	May 13, 2022	100
August 1, 2035	1,365,000	545522 NP5	May 13, 2022	100

[1]CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

The Refunded 2012 Bonds are detailed in the following table.

Refunded 2012 Bonds
Los Gatos Union School District

Maturity Date	Principal Amount	CUSIP[1]	Redemption Date	Redemption Price as a Percentage of Par
August 1, 2023	$160,000	545522 PK4	August 1, 2022	100%
August 1, 2024	175,000	545522 PL2	August 1, 2022	100
August 1, 2025	180,000	545522 PM0	August 1, 2022	100
August 1, 2028	1,175,000	545522 PN8	August 1, 2022	100
August 1, 2031	1,250,000	545522 PP3	August 1, 2022	100
August 1, 2034	1,390,000	545522 PQ1	August 1, 2022	100
August 1, 2037	2,265,000	545522 PR9	August 1, 2022	100

[1]CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

Debt Service Schedules

Scheduled debt service on the Bonds (assuming no optional redemption of Bonds) is shown in the following table.

Debt Service Schedule
2022 General Obligation Refunding Bonds

Date	Principal	Interest	Semiannual Debt Service
August 1, 2022			
February 1, 2023			
August 1, 2023			
February 1, 2024			
August 1, 2024			
February 1, 2025			
August 1, 2025			
February 1, 2026			
August 1, 2026			
February 1, 2027			
August 1, 2027			
February 1, 2028			
August 1, 2028			
February 1, 2029			
August 1, 2029			
February 1, 2030			
August 1, 2030			
February 1, 2031			
August 1, 2031			
February 1, 2032			
August 1, 2032			
February 1, 2033			
August 1, 2033			
February 1, 2034			
August 1, 2034			
February 1, 2035			
August 1, 2035			
February 1, 2036			
August 1, 2036			
February 1, 2037			
August 1, 2037			
Total			

Upon issuance of the Bonds, scheduled debt service on the District's outstanding general obligation bond debt (assuming no optional redemption of such general obligation bond debt) is shown in the following table. See "DISTRICT FINANCIAL INFORMATION—Long-Term Borrowings" for more information on the District's outstanding general obligation bond debt.

Outstanding General Obligation Bond Debt Service
Los Gatos Union School District

Year Ended June 30	Outstanding General Obligation Bonds	2022 General Obligation Refunding Bonds	Total General Obligation Bond Debt Service
2022	$7,062,419		
2023	3,607,578		
2024	3,399,983		
2025	3,313,908		
2026	5,675,245		
2027	4,979,530		
2028	5,682,971		
2029	5,682,138		
2030	5,584,340		
2031	5,535,720		
2032	5,550,500		
2033	5,608,963		
2034	-		
2035	-		
2036	-		
2037	-		
2038	-		
Total	$61,683,293		

SECURITY AND SOURCE OF PAYMENT

Introduction

The Bonds are general obligation bonds of the District payable from *ad valorem* property taxes levied and collected by the County on all taxable property within the boundaries of the District for the payment of principal of and interest on the Bonds and from amounts on deposit in the Interest and Sinking Fund maintained by the County Director of Finance in the County Treasury pursuant to Education Code Section 15251. The County Board is empowered and obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) in order to provide sufficient funds for repayment of principal of and interest on the Bonds when due. Although the County is obligated to levy and collect the *ad valorem* property tax for the payment of the Bonds, the Bonds are not a debt of the County.

The proceeds of such *ad valorem* property taxes, when collected, will be deposited into the Interest and Sinking Fund pursuant to Education Code Section 15251, which *ad valorem* property taxes, together with the amounts on deposit in the Interest and Sinking Fund, are irrevocably pledged pursuant to Government Code Sections 5450 and 5451 to the payment of principal of and interest on the Bonds when and as the same fall due. Pursuant to Government Code 53515 (discussed below), the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment of the Bonds. The County will take all actions necessary to levy such *ad valorem* property taxes in accordance with Education Code Section 15250 *et seq*. and to cause the proceeds from such levy to be deposited into the Interest and Sinking Fund. The County will transfer or cause to be transferred from the Interest and Sinking Fund to the Paying Agent, an amount, in immediately available funds, sufficient to pay all the principal of, premium, if any, and interest due on the Refunding Bonds.

Various officers of the County are responsible for the performance of each function in the property taxation system within the County. Property tax revenues result from the application of the appropriate tax rate to the total net assessed value of taxable property in the District. All property, including real, personal and intangible property, is taxable, unless granted an exemption by the State Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The California Legislature (the "State Legislature") may create additional exemptions for personal property, but not for real property. Taxes on property located in a school district with boundaries extending into more than one county are administered separately by each county in which the property is located (the District is located only in the County). In such school districts, the rate of tax is determined by the school district's primary county, and the primary county directs the secondary county to place the tax on the tax rolls. Taxes collected by the secondary county are sent to the primary county.

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

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

Statutory Lien on *Ad Valorem* Property Tax Revenues

Government Code Section 53515 provides that all general obligation bonds issued and sold by or on behalf of a local agency in the State are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. The 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. In addition, the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will automatically attach to the revenues and be effective, binding, and enforceable against the local agency, such as the District, as applicable, its successor, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing, or further tax. Government Code Section 53515 applies to the Bonds.

Assessed Valuation of Property

The assessor of the County of Santa Clara (the "County Assessor") must annually assess all taxable property in the County (except for "utility" property, assessed by the State) to the person, business or legal entity owning, claiming, possessing or controlling the property on January 1, the lien date. Property assessed by the County Assessor is subject to the reappraisal provisions set forth in the State Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES—Article XIIIA of the State Constitution" herein. The duties of the County Assessor are to discover all assessable property, to inventory and list all taxable property, to value the property, and to enroll the property on the local assessment roll. Locally assessed taxable property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The secured roll contains real property sufficient, in the opinion of the County Assessor, to secure the payment of the taxes as a lien on real property. All other property is unsecured and assessed on the unsecured roll.

The secured roll also includes certain "utility" property, entered on the utility roll, located in the County but assessed by the State Board of Equalization (the "SBE") rather than by the County Assessor. Such property includes property owned or used by State-regulated transportation and communications utilities such as railways, telephone and telegraph companies, companies transmitting or selling gas or electricity, and pipelines, flumes, canals and aqueducts lying within two or more counties. Property assessed by the SBE is not subject to the provisions of Proposition 13 (1978) and is annually reappraised at its market value as of January 1 and then allocated by formula among all the taxing jurisdictions in the County, including the

District. The growth or decline in the assessed valuation of utility property is shared by all jurisdictions in the County. The District can make no predictions regarding the impact of the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies on the amount of tax revenue collected. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among taxing jurisdictions in the County; the transfer of property located and taxed in the District to a State-assessed utility will, in general, reduce the assessed value in the District, as the value is shared among the other jurisdictions in the County. The greater the total assessed value of all taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds.

Shown in the following table are 10 years of the District's historical assessed valuation. Total secured assessed value includes net local secured assessed value, the assessed value of the secured homeowner exemption and the assessed value on "utility" property as allocated by the SBE. Total unsecured assessed value includes net local unsecured assessed value and the assessed value of the unsecured homeowner exemption.

Historical Total Secured and Unsecured Assessed Valuation
Los Gatos Union School District

Year Ended June 30	Total Secured Assessed Value	Total Unsecured Assessed Value	Total Assessed Value	Percentage Change
2013	$8,425,180,328	$166,679,237	$8,591,859,565	--
2014	9,139,739,510	162,479,636	9,302,219,146	8.27%
2015	9,673,756,375	153,616,588	9,827,372,963	5.65
2016	10,416,343,154	142,822,893	10,559,166,047	7.45
2017	11,231,302,882	211,358,129	11,442,661,011	8.37
2018	11,916,930,214	240,825,311	12,157,755,525	6.25
2019	12,702,068,043	274,621,968	12,976,690,011	6.74
2020	13,421,897,299	249,279,966	13,671,177,265	5.35
2021	14,073,353,136	239,150,577	14,312,503,713	4.69
2022	14,702,935,965	235,513,811	14,938,449,776	4.37

Source: County Assessor.

The District may not issue bonds in excess of 1.25 percent of the assessed valuation of taxable property within its boundaries. Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity. The District's gross bonding capacity in fiscal year 2021-22 is approximately $186.7 million. Upon issuance of the Bonds, the District will have remaining bonding capacity of approximately $__._ million[*]. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES—Article XIIIA of the State Constitution" herein.

The remaining tables under this caption "SECURITY AND SOURCE OF PAYMENT" have been prepared by California Municipal Statistics, Inc. They have been included for general information purposes only. The District has not independently verified and does not guarantee the accuracy of the information in such tables.

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[*] Preliminary; subject to adjustment

Shown in the following table is the distribution of total assessed value among the cities and unincorporated areas encompassed by the District for fiscal year 2021-22.

Assessed Valuation by Jurisdiction
Los Gatos Union School District

Jurisdiction:	Assessed Valuation in District	Percent of District	Assessed Valuation of Jurisdiction	Percent of Jurisdiction in District
Town of Los Gatos	$11,071,428,578	74.11%	$15,560,344,483	71.15%
City of Monte Sereno	1,859,808,784	12.45	$2,565,909,567	72.48%
City of San Jose	255,494,241	1.71	$215,306,753,933	0.12%
Unincorporated Santa Clara County	1,751,718,173	11.73	$20,482,344,953	8.55%
Total District	$14,938,449,776	100.00%		
Santa Clara County	$14,938,449,776	100.00%	$576,319,542,323	2.59%

Source: California Municipal Statistics, Inc.

Shown in the following table is a distribution of taxable real property located in the District by principal purpose for which the parcels are used along with the local secured assessed valuation (excluding homeowners' exemption) and number of parcels for each use for fiscal year 2021-22.

Assessed Valuation and Parcels by Land Use
Los Gatos Union School District

Non-Residential:	2021-22 Assessed Valuation[1]	Percent of Total	Number of Parcels	Percent of Total
Agricultural/Forest	$69,437,039	0.47%	275	2.55%
Commercial/Office	1,503,816,344	10.23	415	3.85
Industrial	107,965,158	0.73	28	0.26
Recreational	61,805,500	0.42	11	0.10
Government/Social/Institutional	38,318,659	0.26	90	0.84
Miscellaneous/Water Companies	53,174,901	0.36	118	1.10
Subtotal Non-Residential	$1,834,517,601	12.48%	937	8.70%
Residential:				
Single Family Residence	$11,461,729,813	77.96%	7,790	72.34%
Condominium/Townhouse	810,887,236	5.52	1,049	9.74
Mobile Home	4,904,206	0.03	59	0.55
2-4 Residential Units	108,541,546	0.74	139	1.29
5+ Residential Units/Apartments	325,308,280	2.21	101	0.94
Subtotal Residential	$12,711,371,081	86.46%	9,138	84.85%
Vacant Parcels	$155,405,603	1.06%	694	6.44%
Total	$14,701,294,285	100.00%	10,769	100.00%

[1]Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

The following table sets forth the assessed valuation of single-family homes within the District's boundaries for fiscal year 2021-22.

Per-Parcel Assessed Valuation of Single-Family Homes
Los Gatos Union School District

	Number of Parcels	2021-22 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	7,790	$11,461,729,813	$1,471,339	$1,228,612

2021-22 Assessed Valuation	No. of Parcels[1]	Percent of Total	Cumulative Percent of Total	Total Valuation	Percent of Total	Cumulative Percent of Total
$0 - $199,999	923	11.849%	11.849%	$106,957,764	0.933%	0.933%
$200,000 - $399,999	664	8.524	20.372	196,373,914	1.713	2.646
$400,000 - $599,999	569	7.304	27.677	283,581,745	2.474	5.121
$600,000 - $799,999	574	7.368	35.045	399,924,756	3.489	8.610
$800,000 - $999,999	592	7.599	42.644	533,661,515	4.656	13.266
$1,000,000 - $1,199,999	505	6.483	49.127	557,269,670	4.862	18.128
$1,200,000 - $1,399,999	484	6.213	55.340	629,000,181	5.488	23.616
$1,400,000 - $1,599,999	494	6.341	61.682	742,263,203	6.476	30.092
$1,600,000 - $1,799,999	453	5.815	67.497	770,843,172	6.725	36.817
$1,800,000 - $1,999,999	374	4.801	72.298	708,435,748	6.181	42.998
$2,000,000 - $2,199,999	385	4.942	77.240	806,015,297	7.032	50.030
$2,200,000 - $2,399,999	319	4.095	81.335	730,880,548	6.377	56.407
$2,400,000 - $2,599,999	277	3.556	84.891	692,265,172	6.040	62.447
$2,600,000 - $2,799,999	219	2.811	87.702	591,214,888	5.158	67.605
$2,800,000 - $2,999,999	175	2.246	89.949	506,167,241	4.416	72.021
$3,000,000 - $3,199,999	123	1.579	91.528	381,018,584	3.324	75.345
$3,200,000 - $3,399,999	108	1.386	92.914	355,281,553	3.100	78.445
$3,400,000 - $3,599,999	95	1.220	94.134	331,806,911	2.895	81.340
$3,600,000 - $3,799,999	84	1.078	95.212	309,660,613	2.702	84.042
$3,800,000 - $3,999,999	69	0.886	96.098	268,842,440	2.346	86.387
$4,000,000 and greater	304	3.902	100.000	1,560,264,898	13.613	100.000
Total	7,790	100.000%		$11,461,729,813	100.000%	

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

Reassessments and Appeals of Assessed Value

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

Under State law, property owners in the District may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with a County assessment appeals board (the "County Appeals Board"). In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA of the State Constitution.

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.

Proposition 8 reductions may also be unilaterally applied by the County Assessor.

The District can make no predictions as to the changes in assessed values within the boundaries of the District that might result from pending or future appeals of assessed valuation by taxpayers or temporary reductions in assessed valuation of property as allowed under the State Constitution. Any reduction in aggregate District assessed valuation will cause the tax rate necessary to repay the Bonds to increase accordingly. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Director of Finance against all taxing agencies receiving tax revenues, including the District.

Risk of Decline in Property Values

Property values could be reduced by factors beyond the District's control, including but not limited to an earthquake, drought, wildfire or a depressed real estate market due to general economic conditions in the County, the region, or the State. Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase.

Changing Economic Conditions. A depressed real estate market due to general economic conditions in the County, the region, or the State may impact the value of taxable property within the District. The COVID-19 pandemic, or another pandemic, may result in an economic recession or depression that causes a general market decline in property values therefore affecting the value of taxable property within the District. For more information on the impact of the COVID-19 pandemic, see "—The COVID-19 Pandemic" and "THE DISTRICT—Impact of the COVID-19 Pandemic" herein.

Climate Change. The change in the Earth's average atmospheric temperature, generally referred to as "climate change," is expected to, among other things, increase the frequency of extreme weather events. The direct risks posed by climate change currently include or are expected to include more extreme heat events, increased incidence of wildfire and drought, rising sea levels, changes in precipitation levels, and more intense storms, any of which could negatively impact the assessed value of the property within the District. The District cannot predict the timing, extent, or severity of climate change or the extent to which climate change may impact the value of taxable property within the District.

Drought. In recent years, the State has experienced severe drought conditions. In March 2021, the Secretary of the United States Department of Agriculture designated 50 of 58 counties in the State as primary natural disaster areas due to drought. In April 2021, the Governor of California (the "Governor") proclaimed a regional drought emergency in two counties due to record drought conditions, and subsequently expanded such proclamation three times until the drought emergency applied to all counties in the State. On July 8, 2021, the Governor signed Executive Order N-10-21 calling on a statewide voluntary reduction in water use of 15 percent from 2020 levels. Relatively little of the property in the District is in agricultural use (see the table in "—Assessed Valuation of Property" herein), and assessed values show a net increase over the period of the drought. It is not possible for the District to make any representation regarding the extent to which drought conditions could cause reduced economic activity within the boundaries of the District or the extent to which the drought has had or may have in the future on the value of taxable property within the District.

Earthquake. The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding San Francisco Bay Area. Three major earthquake faults that comprise the San Andreas fault system extend through the San Francisco Bay Area, including the San Andreas fault, the Hayward fault, and the Calaveras fault. In August 2016, the 2014 Working Group on California Earthquake Probabilities (a collaborative effort of the United States Geological Survey, the California Geological Society and the Southern California Earthquake Center) issued a revised report that states there is a 72 percent chance that one or more earthquakes of magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2043. Such earthquakes may be very destructive. Property within the District could sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity.

Wildfire. In recent years, portions of the State, including the County and adjacent counties, have experienced wildfires that have burned millions of acres and destroyed thousands of homes and structures. Property damage due to wildfire could result in a significant decrease in the assessed value of property in the District. It is not possible for the District to make any representation regarding the extent to which wildfires could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact the value of taxable property within the District.

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

Tax Rates

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

The tax rate necessary to pay debt service in a given year largely depends on the net assessed value of taxable property in that year. The net assessed value of taxable property may be affected by several factors, such as a general market decline in property values, reclassification of property to a class exempt from taxation, such as property owned by federal, State and local agencies or property used for certain educational, hospital, charitable or religious purposes, or the destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, drought, toxic dumping, *etc*. See "—Risk of Decline in Property Tax Values" herein.

One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax on each parcel. The following table shows *ad valorem* property tax rates per $100 of assessed value for the last five years in a typical tax rate area of the District (TRA 3-001). The fiscal year 2021-22 assessed valuation of TRA 3-001 is $6,935,438,073, approximately 46.43 percent of the total assessed value of taxable property in the District.

Typical Total Tax Rates per $100 of Assessed Valuation
TRA 3-001
Los Gatos Union School District

	2017-18	2018-19	2019-20	2020-21	2021-22
General Tax Rate	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880
County Hospital/Housing Bonds	0.02086	0.01770	0.01690	0.00690	0.01876
Los Gatos School District Bonds	0.05110	0.04860	0.04460	0.04400	0.03980
Los Gatos Joint Union High School District Bonds	0.04570	0.03040	0.01770	0.01930	0.01850
West Valley Community College District Bonds	0.02000	0.01980	0.02960	0.03110	0.03040
Midpeninsula Open Space District	0.00090	0.00180	0.00160	0.00150	0.00150
Total Tax Rate	$1.17736	$1.15710	$1.14920	$1.14160	$1.14776
Santa Clara Valley Water District State Water Project	$0.00620	$0.00420	$0.00410	$0.00370	$0.00510
Total Land and Improvement	$0.00620	$0.00420	$0.00410	$0.00370	$0.00510

Source: California Municipal Statistics, Inc.

The more property (by assessed value) that is owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and their ability or willingness to pay property taxes. In fiscal year 2021-22, no single taxpayer owned more than 1.44 percent of the total secured taxable property in the District.

The 20 taxpayers in the District with the greatest combined secured assessed valuation of taxable property on the fiscal year 2021-22 tax roll own property that comprises 6.59 percent of the local assessed valuation of secured property in the District. These taxpayers, ranked by aggregate assessed value of taxable property as shown on the fiscal year 2021-22 secured tax roll, and the amount of each owner's assessed valuation for all taxing jurisdictions within the boundaries of the District are shown in the following table.

Each taxpayer listed is a unique name on the tax rolls. The District cannot determine from assessment records 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 list of largest taxpayers identified in the following table.

Largest Taxpayers
Los Gatos Union School District

	Property Owner	2021-22 Primary Land Use	2021-22 Assessed Valuation	Percent of Total[1]
1.	Serramonte Corporate Center LLC	Business Park	$211,123,540	1.44%
2.	Wealthcap Los Gatos 121	Office Building	119,316,793	0.81
3.	Preylock Los Gatos LLC	Office Building	96,873,316	0.66
4.	San Jose Water Works	Water Company	54,348,073	0.37
5.	Summerhill N40 LLC	Residential Properties	49,679,778	0.34
6.	Sobrato Interests IV LLC	Apartments	46,155,127	0.31
7.	140 Toll House Hotel LLC	Hotel	35,499,104	0.24
8.	SRI Old Town LLC	Shopping Center	35,246,406	0.24
9.	Donahue Schriber Realty Group LP	Shopping Center	33,356,205	0.23
10.	SF Los Gatos LLC	Hotel	33,214,527	0.23
11.	KSL Capital Partners	Recreational	33,037,818	0.22
12.	Kay Kaoru and Go Sasaki Sr., Trustees	Apartments	27,471,495	0.19
13.	Fox Creek Fund LLC	Office Building	27,231,335	0.19
14.	750 University LLC	Office Building	27,064,374	0.18
15.	Equestrian 3 Investments LLC	Office Building	26,306,130	0.18
16.	Alberto Way Holdings LLC	Office Building	24,896,799	0.17
17.	Peter R. Hofmann, Trustee	Residential	24,261,554	0.17
18.	Boccardo Corporation	Office Building	23,795,975	0.16
19.	Vasona Lake Storage Farley LLC	Industrial	20,941,124	0.14
20.	Thomas A. Grant and Patricia Grant	Residential	19,603,418	0.13
	Total		$969,422,891	6.59%

[1]Fiscal year 2021-22 local secured assessed valuation in the District is $14,701,294,285.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Bonded Debt

Contained within the District's boundaries are numerous overlapping local entities providing public services which may have outstanding long-term obligations in the form of general obligation, lease revenue and special assessment bonds. Such obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the boundaries of 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 following table generally includes long-term obligations sold in the public credit markets by the public agencies listed. The first column in the table names each public agency which has outstanding debt as of April 1, 2022, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (not shown) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District. Property owners within the boundaries of the District may be subject to other special taxes and assessments levied by other taxing authorities providing services within the boundaries of the District. Such non-*ad valorem* special taxes and assessments (which are not levied to fund debt service) are not represented in the statement of direct and overlapping bonded debt.

Statement of Direct and Overlapping Bonded Debt (As of April 1, 2022)
Los Gatos Union School District

2021-22 Assessed Valuation: $14,938,449,776	Percent Applicable	Debt as of April 1, 2022
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Santa Clara County	2.592%	$29,716,243
West Valley-Mission Community College District	9.058	50,498,350
Los Gatos Joint Union High School District	48.972	41,151,172
Los Gatos Union School District	**100.000**	**67,550,000** [1]
City of San Jose	0.119	692,711
Midpeninsula Regional Open Space District	4.151	3,510,708
Santa Clara Valley Water District Benefit Assessment District	2.592	1,248,048
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$194,367,232
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Santa Clara County General Fund Obligations	2.592%	$32,194,308
Santa Clara County Pension Obligations	2.592	8,699,749
Santa Clara County Board of Education Certificates of Participation	2.592	47,174
West Valley Mission Community College District General Fund Obligations	9.058	4,515,413
Los Gatos Joint Union High School District Certificates of Participation	48.972	546,038
City of San Jose General Fund Obligations	0.119	668,441
Santa Clara County Vector Control District Certificates of Participation	2.592	45,749
Midpeninsula Regional Open Space District General Fund Obligations	4.151	4,138,779
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$50,855,651
Less: Santa Clara County supported obligations		468,601
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$50,387,050
OVERLAPPING TAX INCREMENT DEBT		$12,785,000
GROSS COMBINED TOTAL DEBT		$258,007,883 [2]
NET COMBINED TOTAL DEBT		$257,539,282

Ratios to 2021-22 Assessed Valuation:
Direct Debt ($67,550,000) 0.45%
Total Direct and Overlapping Tax and Assessment Debt...... 1.30%
Gross Combined Total Debt 1.73%
Net Combined Total Debt 1.72%

Ratios to Redevelopment Incremental Valuation ($1,639,262,076):
Total Overlapping Tax Increment Debt 0.78%

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

Tax Collections and Delinquencies

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction assessed as of January 1, at which time the tax lien attaches. The County Director of Finance, in its capacity as tax collector, is presented with a tax roll created from the combined rolls of the County Assessor and the SBE. The County Director of Finance prepares and mails tax bills to taxpayers and collects the taxes.

Property taxes on the regular secured roll are due in two equal installments. The first installment is due on November 1 and becomes delinquent after 5:00 p.m. on December 10. The second installment is due on February 1 and becomes delinquent after 5:00 p.m. on April 10. Taxes remaining unpaid as of 5:00 p.m. on June 30 are enrolled on the redemption roll. After five years, the County generally has the power to sell tax-defaulted property that is not redeemed; proceeds from such sale are applied to the payment of the delinquent taxes.

Annual bills for property taxes on the unsecured roll are mailed during July; taxes on the unsecured roll are due on August 31 and become delinquent after 5:00 p.m. Taxes unpaid by the delinquency date will have a lien recorded against the property owner. Any property tax payment received after the delinquency date is subject to a 10 percent penalty plus $20 cost imposed on the installment. Upon delinquency, the County may use the following collection methods: filing of liens, filing of summary judgments, seizure and sale of personal property, or seizure of State tax refunds or State lottery winnings.

In light of the financial hardship that many taxpayers experienced due to the COVID-19 pandemic, the Governor issued Executive Order N-61-20, which suspended from May 6, 2020 until May 6, 2021, the statutory requirements for the imposition of penalties, costs and interest for the failure to pay property taxes on the secured or unsecured roll, or to pay a supplemental bill, provided certain conditions were met.

The following table shows real property tax collections and delinquencies in the District for fiscal year 2020-21.

Secured Tax Charges and Delinquencies
Los Gatos Union School District

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent As of June 30	Percent Delinquent As of June 30
2020-21	$6,174,202.66	$51,456.11	0.83%

[1]General obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.

As long as the Teeter Plan (as defined herein) remains in effect in the County, the District will be credited with the full amount of the secured tax levy for the Bonds no matter the delinquency rate within the boundaries of the District. See "—Alternative Method of Tax Apportionment" herein.

Alternative Method of Tax Apportionment

The County Board has approved implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") pursuant to the California Revenue and Taxation Code (the "Revenue and Taxation Code") Section 4701 *et seq*. The Teeter Plan guarantees distribution to each local agency in the County an amount equal to 100 percent of the *ad valorem* property taxes levied on their behalf on the secured roll within the County, with the County retaining all penalties and interest affixed upon delinquent properties and redemptions of subsequent collections.

The cash position of the County is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In any given fiscal year, when the amount in the County's Tax Loss Reserve Fund exceeds a specified amount as prescribed by law, such excess amounts may be credited for the remainder of that fiscal year to the County's general fund. Amounts required to be maintained in the Tax Loss Reserve Fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect in the County unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year (which commences on July 1 for the County), the County Board receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The County Board may also, after holding a public hearing on the matter, discontinue the implementation of the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls in that agency.

If the Teeter Plan were discontinued in the County, only those secured property taxes actually collected in the County would be allocated to political subdivisions in the County, including the District. Further, the District's tax revenues would be subject to taxpayer delinquencies; however, the District would realize the benefit of interest and penalties collected from delinquent taxpayers, pursuant to law. As long as the Teeter Plan remains in effect in the County, the District will be credited with the full amount of secured property tax levies no matter the delinquency rate within the boundaries of the District.

The COVID-19 Pandemic

An outbreak of a respiratory disease caused by a new strain of coronavirus, COVID-19, was first detected in China in late 2019 and has subsequently spread globally. The World Health Organization declared the COVID-19 outbreak as a Public Health Emergency of International Concern on January 30, 2020, further characterizing the outbreak as a pandemic on March 11, 2020. As of February 10, 2022, the Center for Systems Science and Engineering at Johns Hopkins University reports there were more than 77.2 million confirmed cases of COVID-19 in the United States, of which more than 8.7 million were located in the State and 308,000 were located in the County.

Federal Actions. On March 13, 2020, the federal government declared a national emergency in response to the COVID-19 pandemic, making available more than $50 billion in federal funds for disaster relief and assistance. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law, authorizing more than $2 trillion to battle COVID-19 and its economic effects, including approximately $31 billion for K–12 and higher education assistance and more than $4 billion for childcare and early education programs.

On December 27, 2020, the $900 billion Coronavirus Response and Relief Supplemental Appropriations Act (the "Coronavirus Relief Act") was signed into law. The Coronavirus Relief Act provides approximately $82 billion for education, $54.3 billon of which is intended for K-12 schools.

On March 11, 2021, the American Rescue Plan Act of 2021 ("ARPA") was signed into law, authorizing more than $1.9 trillion to combat the pandemic and provide aid to those impacted by its economic effects. ARPA provides approximately $170 billion for education, including $125.4 billion for state K-12 education programs, the large majority of which is to be distributed to local education agencies based on their relative share of Title I-A funding.

State Actions. On March 4, 2020, the Governor declared a state of emergency in response to the COVID-19 pandemic. The Governor issued Executive Order N-26-20 on March 13, 2020, ensuring California public school districts retain State funding even in the event of physical closure. The order directed school districts to use those State dollars to fund distance learning and high-quality educational opportunities, provide school meals, continue to pay employees, and, as practicable, arrange for the supervision for students during school hours.

On March 17, 2020, the Governor signed Senate Bill 89 ("SB 89") appropriating $500 million from the State general fund for any purpose related to the Governor's March 4, 2020 emergency declaration. SB 89 allowed additional funds to be appropriated in $50 million increments up to a total of not to exceed $1 billion. The Governor also signed Senate Bill 117 ("SB 117"), which, among other items, provided that attendance during full school months from July 1, 2019, to February 29, 2020, inclusive, would be reported for apportionment purposes for fiscal year 2019-20 for school districts that complied with Executive Order N-26-20. SB 117 also held harmless school districts not meeting minimum instructional day and minute requirements during the academic year. Additionally, SB 117 appropriated $100 million for local educational agencies to purchase protective equipment and supplies and labor related to cleaning school sites as a result of COVID-19, allocated to local education agencies on the basis of average daily attendance ("ADA").

On July 17, 2020, the Governor announced statewide restrictions on the reopening of K-12 schools and issued updated State guidelines and requirements regarding both in-person and distance learning. Consistent with these restrictions, the California Department of Public Health issued a framework for when and how K-12 schools should reopen for in-person instructions.

The California Department of Public Health released updated guidance for the safe re-opening of K-12 schools for in-person instruction on January 14, 2021.

On August 28, 2020, the Governor released an updated framework for reopening businesses and activities, the Blueprint for a Safer Economy (the "Blueprint"). The Blueprint assigns each of the State's 58 counties into four color-coded tiers: purple (tier 1, widespread), red (tier 2, substantial), orange (tier 3, moderate) and yellow (tier 4, limited), based on the number of new daily cases of COVID-19 and the percentage of positive tests. Implementation of the Blueprint as part of a phased reopening depended on local conditions, including the level of COVID-19 infections and hospitalization rates for a minimum of 14 days, testing resources of the county, and preparedness of the county's healthcare system. The State lifted the tier-based restrictions on June 15, 2021 as a result of meeting goals for vaccine availability and hospitalization rates.

On March 5, 2021, the Governor signed Assembly Bill 86 ("AB 86"), providing $6.6 billion in State funding to local education agencies for COVID-19 relief, including $2.0 billion of in-person instruction grants to expedite the reopening schools and $4.6 billion of expanded learning opportunity grants to address the pandemic's impact on learning. The $2.0 billion in-person instruction grants were distributed to local education agencies in proportion to their local control funding formula ("LCFF") entitlement. In order to receive full in-person instruction grants, local educational agencies had to offer in-person instruction to students by April 1, 2021, with grants incrementally decreasing for each day after April 1 that the local education agency does not provide in-person instruction in accordance with grant requirements. AB 86 also identified the requirements to offer in-person instruction as a condition of receiving the grant based on the color tiers in the Blueprint. Regarding the $4.6 billion of expanded learning opportunity grants, local education agencies received $1,000 for each homeless student enrolled, with the majority of the remaining amount distributed in proportion to a local education agency's LCFF entitlement. The expanded learning opportunity grants could be used for various strategies to accelerate learning and address student needs, such as extended learning time, professional development, programs to address social-emotional learning, and access to school meals.

In August 2021, the California Department of Public Health issued a public health order requiring all school employees in the State to either show proof of full vaccination or be tested at least once a week effective October 15, 2021. In October 2021, the Governor announced plans to add the COVID-19 vaccine to the list of vaccinations required for students to attend school in-person when the vaccine receives full approval from the Food and Drug Administration for middle and high school grades. Such Statewide student vaccination requirement is expected to take effect July 1, 2022.

The District receives a significant portion of its revenues from local property taxes. Declines in local property taxes as a consequence of the COVID-19 outbreak could result in a corresponding decline in revenues available for the District. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein. The District cannot predict the outbreak's extent or duration or what impact the outbreak as well as responses by federal, State or local authorities may have on the District's financial condition. See "THE DISTRICT—Impact of the COVID-19 Pandemic" herein.

Notwithstanding the impact that the COVID-19 outbreak may have on the economy in the State and the District's financial condition, the Bonds are payable from the proceeds of an *ad valorem* property tax, approved by the voters within the boundaries of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied and collected by the County on all taxable property within the boundaries of the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein. The District cannot predict the outbreak's extent or duration or what impact the outbreak may have on the assessed value of real property or property tax collections by the County within the boundaries of the District.

SANTA CLARA COUNTY TREASURY POOL

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

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

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

A summary description of the composition of the County Pool from the quarterly investment report as of December 31, 2021 is provided in the following table.

Securities by Type as of December 31, 2021
Santa Clara County Treasury Pool

Investments	Book Value	Percent of Portfolio
Federal Agencies	$3,197,295,230	28.60%
Corporate Bonds	879,370,076	7.87
Mortgage Backed Securities	716,177,570	6.41
Commercial Paper	1,158,777,524	10.37
Asset-Backed Securities	849,793,066	7.60
Asset-Backed Securities - Green Bonds	29,996,769	0.27
Municipal Securities	102,555,590	0.92
U.S. Treasuries	1,025,162,662	9.17
Negotiable CDs	1,784,901,678	15.97
LAIF	43,187,537	0.39
Money Market Funds	1,071,065,184	9.58
Supranationals	271,852,631	2.43
Supranationals - Green Bonds	49,424,441	0.44
Total	$11,179,559,958	100.00%

Source: County Director of Finance.

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

ECONOMIC PROFILE

The information in this section concerning the economy of the Town of Los Gatos and the County is provided as supplementary information only and is not intended to be an indication of security for the Bonds. The Bonds are payable from the proceeds of an ad valorem *property tax, approved by the voters of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied and collected by the County on all taxable property within the boundaries of the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

General Information

The County, founded in 1850, is located at the southern end of the San Francisco Bay Area region of the State. Encompassing approximately 1,316 square miles, the County is comprised of rural mountain ranges, wetlands and salt marshes, unincorporated ranch and farmland, and extensively urbanized areas. The County ranks sixth in population out of the 58 counties in the State. Also referred to as "Silicon Valley," the dominant industry in the County is technology. Based on data compiled by CoreLogic, the median sale price of a single-family home in the County was $1,350,000 in December 2021, an increase of 23.9 percent from $1,090,000 in December 2020.

The Town of Los Gatos, founded in 1887, is comprised of 14 square miles located in the southwestern portion of the County. The Town of Los Gatos is bounded by the City of San Jose to the north and east; the City of Campbell to the north; the City of Monte Sereno and the City of Saratoga to the west; and unincorporated areas of the County and the County of Santa Cruz to the south. Based on data compiled by CoreLogic, Inc., the median sale price of a single-family home in the Town of Los Gatos was $2,400,000 in December 2021, an increase of approximately 12.0 percent from $2,143,000 in December 2020.

Population

The following table displays estimated population as of January 1 for the past five years for which data is available for the Town of Los Gatos, County and State.

Historical Population
Town of Los Gatos, County of Santa Clara and the State of California

	2017	2018	2019	2020	2021
Town of Los Gatos	30,775	30,643	30,501	31,087	30,836
County of Santa Clara	1,937,008	1,943,579	1,944,733	1,945,166	1,934,171
State of California	39,354,398	39,519,535	39,605,361	39,648,938	39,466,855

Source: State Department of Finance.

Personal Income

Total personal income includes income from all sources including net earnings, dividends, interest and rent, and personal current transfer receipts received by residents in the region. *Per capita* personal income ("PCPI") was $123,661 in the County in 2020, an increase of 7.9 percent from 2019 levels, compared to an increase of 8.8 percent statewide and 6.2 percent nationally. The following table shows PCPI for the County as well as for the State and the United States for the past five years for which data is available.

***Per Capita* Personal Income**
County of Santa Clara, State of California and United States

	2016	2017	2018	2019	2020
County of Santa Clara	$91,828	$99,336	$108,344	$114,649	$123,661
State of California	56,667	58,942	61,663	64,513	70,192
United States	49,812	51,811	54,098	56,047	59,510

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

Labor Force and Employment

The following table contains a summary of the Town of Los Gatos' historical unemployment data for the past four calendar years for which data is available and the most recent month for which data is available, not seasonally adjusted.

Historical Unemployment
Town of Los Gatos

	Annual 2017	Annual 2018	Annual 2019	Annual 2020	December 2021[1]
Total Labor Force	16,000	16,000	15,900	15,300	15,800
Number of Employed	15,400	15,600	15,500	14,400	15,400
Number of Unemployed	500	400	400	900	400
Unemployment Rate	3.3%	2.8%	2.5%	5.9%	2.4%

[1]Preliminary.
Source: State Employment Development Department.

The following table contains a summary of the County's historical unemployment data for the past four calendar years for which data is available and the most recent month for which data is available, not seasonally adjusted.

Historical Unemployment
County of Santa Clara

	Annual 2017	Annual 2018	Annual 2019	Annual 2020	December 2021[1]
Total Labor Force	1,038,000	1,042,500	1,048,200	1,020,700	1,042,900
Number of Employed	1,004,400	1,014,800	1,021,600	949,400	1,012,800
Number of Unemployed	33,700	27,700	26,600	71,300	30,100
Unemployment Rate	3.2%	2.7%	2.5%	7.0%	2.9%

[1]Preliminary.
Source: State Employment Development Department.

Employment by Industry

The following table shows labor patterns by type of industry from calendar years 2015 through 2019 by annual average, not seasonally adjusted, in the San Jose Sunnyvale Santa Clara Metropolitan Statistical Area.

Historical Employment by Industry
San Jose Sunnyvale Santa Clara Metropolitan Statistical Area[1]

Type of Industry	2015	2016	2017	2018	2019
Total, All Industries	1,051,900	1,086,700	1,111,900	1,132,300	1,152,300
Total Farm	5,500	6,100	5,800	5,800	5,500
Total Nonfarm	1,046,400	1,080,700	1,106,100	1,126,500	1,146,800
Total Private	953,500	986,600	1,010,500	1,029,900	1,049,700
Goods Producing	209,000	215,300	216,400	222,200	225,700
Mining, Logging, and Construction	44,200	48,600	49,500	50,100	52,700
Mining and Logging	200	300	200	200	200
Construction	43,900	48,300	49,300	49,900	52,500
Manufacturing	164,800	166,700	166,900	172,100	173,000
Durable Goods	151,400	153,100	153,500	158,700	159,800
Nondurable Goods	13,500	13,600	13,400	13,400	13,200
Service Providing	837,400	865,400	889,600	904,400	921,200
Private Service Providing	744,500	771,300	794,100	807,700	824,000
Trade, Transportation & Utilities	137,000	136,800	134,700	133,800	131,500
Wholesale Trade	35,800	35,500	33,500	32,200	31,700
Retail Trade	86,600	85,800	85,800	85,700	83,600
Transportation, Warehousing & Utilities	14,600	15,500	15,400	15,800	16,200
Information	68,800	75,200	85,200	92,200	100,800
Financial Activities	34,600	35,600	36,100	36,700	37,700
Finance & Insurance	21,100	21,500	21,600	21,600	21,900
Real Estate & Rental & Leasing	13,500	14,200	14,500	15,200	15,800
Professional & Business Services	223,700	232,600	236,600	237,000	242,900
Professional, Scientific & Technical Services	144,600	149,900	154,900	158,000	164,900
Management of Companies & Enterprises	17,700	18,100	18,100	16,900	15,200
Administrative & Support & Waste Services	61,400	64,600	63,600	62,100	62,800
Educational & Health Services	156,600	162,900	169,200	173,400	175,500
Educational Services	44,100	45,200	46,900	47,700	47,400
Health Care & Social Assistance	112,500	117,600	122,200	125,600	128,100
Leisure & Hospitality	96,800	100,600	103,400	105,700	106,500
Other Services	26,900	27,600	28,900	28,900	29,200
Government	92,900	94,100	95,500	96,700	97,200
Federal Government	9,900	10,000	10,200	9,900	10,000
State & Local Government	83,000	84,100	85,400	86,800	87,200
State Government	6,700	6,700	6,800	7,100	6,900
Local Government	76,400	77,400	78,600	79,700	80,300

Figures may not foot due to rounding.
[1]San Jose Sunnyvale Santa Clara Metropolitan Statistical Area is comprised of Santa Clara County and San Benito County.
Source: State Employment Development Department.

Major Employers

The following table provides a list of 11 principal employers, corresponding number of employees and percent of total employment in the Town of Los Gatos for fiscal year 2020-21.

Principal Employers
Town of Los Gatos

	Employer	Number of Employees	Percent of Total Town Employment
1	Netflix	2,524	15.11%
2	El Camino Hospital, Los Gatos	560	3.35
3	Courtside Tennis Club	542	3.24
4	Los Gatos-Saratoga High School District	320	1.92
5	Safeway	314	1.88
6	Los Gatos Union School District	281	1.75
7	Vasona Creek Health Care Center	250	1.50
8	Terraces of Los Gatos	228	1.36
9	Good Samaritan Regional Cancer Center	200	1.20
10	Town of Los Gatos	161	0.96
11	Whole Foods	125	0.75

Source: Town of Los Gatos, California, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021.

The following table provides a list of 10 principal employers, corresponding number of employees and percent of total employment in the County for fiscal year 2020-21.

Principal Employers
County of Santa Clara

	Employer	Number of Employees	Percent of Total County Employment
1	Apple Inc.	25,000	2.60%
2	Google LLC	25,000	2.60
3	County of Santa Clara	20,638	2.15
4	Stanford University	15,314	1.59
5	Stanford Health Care (formerly Hospital & Clinics)	14,574	1.52
6	Tesla Motors Inc.	13,000	1.35
7	Cisco Systems Inc.	12,740	1.32
8	Kaiser Permanente Northern California	12,442	1.29
9	City of San Jose	7,641	0.79
10	Intel Corporation	7,143	0.74
	Total Top Ten Employers	153,492	
	Total County Employment	961,700	

Source: County of Santa Clara, California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021.

Commercial Activity

Total taxable sales during calendar year 2020 in the Town of Los Gatos were $469,832,084, a 25.0 percent decrease from total taxable sales of $626,099,255 during calendar year 2019.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions (in thousands of dollars) in the Town of Los Gatos for the past five calendar years for which data is available are presented in the following table.

Taxable Retail Sales
Town of Los Gatos

	2016	2017	2018	2019	2020
Sales Tax Permits	1,422	1,409	1,473	1,505	1,548
Taxable Sales (000's)	$650,684	$643,151	$620,777	$626,099	$469,832

Source: California Department of Tax and Fee Administration.

Total taxable sales during calendar year 2020 in the County were $46,444,650,255, a 1.2 percent decrease from the total taxable sales of $47,001,964,265 during calendar year 2019.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions (in thousands of dollars) in the County for the past five calendar years for which data is available are presented in the following table.

Taxable Retail Sales
County of Santa Clara

	2016	2017	2018	2019	2020
Sales Tax Permits	50,394	50,812	52,994	53,312	55,395
Taxable Sales (000's)	$42,128,430	$43,149,031	$45,353,074	$47,001,964	$46,444,650

Source: California Department of Tax and Fee Administration.

Construction Activity

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

New Residential Building Permits
County of Santa Clara

	2016	2017	2018	2019	2020
Single-Family Residential Units	1,646	2,023	1,915	1,876	1,322
Multi-Family Residential Units	4,063	5,945	6,276	3,620	4,035
Total New Building Permits	5,709	7,968	8,191	5,496	5,357
Total Construction Costs	$1,176,448	$1,734,780	$1,849,046	$1,301,592	$1,011,537

Source: U.S. Bureau of the Census, Building Permit Estimates.

THE DISTRICT

It should not be inferred from the inclusion of the information in this section concerning the operations of the District and its finances that the principal of or interest on the Bonds is payable from the General Fund. The Bonds are payable from the proceeds of an ad valorem *property tax, approved by the voters of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied and collected by the County on all taxable property within the boundaries of the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

All tables in this section titled "THE DISTRICT" are from the District unless a source is otherwise indicated.

General Information

The District, an elementary school district established in 1863, is a political subdivision of the State. The District occupies approximately eight square miles in the southwest portion of the County and serves a population of approximately 29,100 people residing primarily in the Town of Los Gatos as well as portions of the City of Monte Sereno, the City of San Jose and surrounding unincorporated areas. The District operates four elementary schools and one middle school providing education to approximately 2,631 students in transitional kindergarten through eighth grade.

The District Board of Trustees and Key Administrative Personnel

The District Board governs all activities related to public education within the jurisdiction of the District. The District Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations and accountability for all fiscal matters relating to the District.

The District Board consists of five members. Each member of the District Board is elected at-large by the public for a four-year term of office. Elections for the District Board are held every two years, alternating between two and three positions available. A president of the District Board is elected by the members each year.

The members of the District Board, together with their office and the date their current term expires, are set forth in the following table.

Board of Trustees
Los Gatos Union School District

Name	Title	Term Expires
Courtney Monk	President	December 2022
Peter Noymer	Clerk	December 2022
John Kuntzmann	Member	December 2022
Daniel Snyder	Member	December 2024
Stephen Parsons	Member	December 2024

The Superintendent of the District is appointed by and reports to the District Board. The Superintendent is responsible for managing the District's day-to-day operations and supervising the work of other key District administrators. The current members of the District's administration and positions held are set forth on page "iv" of this Official Statement.

Community-Funded District

The District operates as a "community-funded" district (also referred to as a "basic aid" district) because the District receives more funding from local property tax revenue than it otherwise would receive from the State for unrestricted general fund revenue under LCFF. Approximately 10 percent of school districts in the State are community-funded districts. While the District receives more from local property tax revenue than it otherwise would under LCFF, the District is still entitled to receive State funding for certain categorical programs and minimum State aid under LCFF to ensure at least the same level of State aid as received in fiscal year 2012-13 when more categorical programs were funded by the State. In addition, the District is entitled to received $200 per ADA from State revenues generated from a temporary income tax increase on high-income taxpayers. See "DISTRICT FINANCIAL INFORMATION—Revenues" and "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein.

Parcel Tax

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

Voters within the District have approved various parcel tax measures since 1990 to support educational programs and services. In May 2013, voters within the District approved a special parcel tax ("Measure B 2013") with an approval rate of 81.8 percent to replace an expiring parcel tax. Measure B 2013 authorizes the District to levy an annual special parcel tax of $290 per year through fiscal year 2021-22 on each parcel of taxable real property in the District. Revenues generated by Measure B 2013 may be used to protect outstanding core academic programs in reading, writing, math, and science; retain highly-qualified teachers; keep classroom technology, science resources, books and instructional materials updated; and maintain art and music. Measure B 2013 generates approximately $2.7 million in annual revenues for the District. Measure B 2013 is not pledged to support any bond or other form of long-term debt.

In November 2021, voters within the District approved a special parcel tax ("Measure B 2021") with an approval rate of 76.0 percent to replace the expiring Measure B 2013. Measure B 2021 authorizes the District to levy an annual special parcel tax of $325 per year for eight years, beginning fiscal year 2022-23, on each parcel of taxable real property in the District. Measure B 2021 is expected to generate approximately $3.2 million annually for the purpose of retaining highly qualified teachers, maintaining and protecting core academic programs, and improving programs in science, technology, engineering, arts, music and math for elementary and middle school students. Measure B 2021 is not pledged to support any bond or other form of long-term debt. See "DISTRICT FINANCIAL INFORMATION—Revenues" herein.

Enrollment

Student enrollment determines to a large extent the amount of funding a State public school district receives for program, facilities and staff needs. ADA is a measurement of the number of pupils attending District classes. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs. The ADA as of the last day of the last full attendance month concluding prior to April 15 ("P-2 ADA") is used by the State as the basis for State apportionments. SB 117 provided that, for school districts that complied with State requirements, only attendance during full school months from July 1, 2019 to and including February 29, 2020, was reported for apportionment purposes for fiscal year 2019-20. In addition, the State budget for fiscal year 2020-21 (the "2020-21 State Budget") provided that ADA for fiscal year 2020-21 was based on the 2019-20 year. While the State budget for fiscal year 2021-22 (the "2021-22 State Budget") does not include an extension of the ADA hold-harmless provision (see "FUNDING OF PUBLIC EDUCATION IN THE STATE—The 2021-22 State Budget" herein), school districts with enrollment declines in fiscal year 2021-22 will continue to retain the ability to receive their apportionment based on the higher of their fiscal year 2019-20 or fiscal year 2020-21 ADA as provided under LCFF. Since the District operates as a community-funded district, however, receiving almost all of its LCFF revenue from local property taxes rather than State sources, the District's LCFF funding does not significantly depend on ADA.

Set forth in the following table is the historical and current fiscal year estimated P-2 ADA for the District.

Average Daily Attendance
Los Gatos Union School District

	2016-17	2017-18	2018-19	2019-20	2020-21[1]	2021-22[2]
Total P-2 ADA	3,153	3,053	2,929	2,883	n/a	2,512

[1]The District was not required to report ADA in fiscal year 2020-21.
[2]Estimated as of the fiscal year 2021-22 first interim report.

Charter Schools

Charter schools can adversely affect school district funding, either by reducing funded enrollment at the school district or, for community-funded districts, by increasing the in-lieu property tax transfer. However, certain per-pupil expenditures of a school district also decrease based upon the number of students enrolled in charter schools. Pursuant to Proposition 39, school districts are required to provide facilities reasonably equivalent to those provided to regular district students for charter schools having a projected average daily attendance of at least 80 or more students from that district.

[To the best of the District's knowledge, there are no charter elementary schools located within the boundaries of the District.]

Employee Relations

State law provides that employees of school districts in the State are to be divided into appropriate bargaining units which then may be represented by an exclusive bargaining agent. The District has two recognized bargaining agents representing its employees. The Los Gatos Elementary Teachers Association ("LGETA") represents non-management, certificated employees of the District. The Los Gatos Union Classified Employees Association ("LGUCEA") represents non-management classified employees of the District.

Set forth in the following table are the District's bargaining units, number of full-time equivalents ("FTEs") budgeted for fiscal year 2021-22 as of the first interim report, and contract status.

Bargaining Units, Number of Employees and Contract Status
Los Gatos Union School District

Bargaining Unit	Full-Time Equivalents	Contract Status
LGETA	158	Settled for fiscal year 2021-22
LGUCEA	68	Settled for fiscal year 2021-22

The District has an additional 20 management and confidential FTEs not represented by a bargaining unit budgeted for fiscal year 2021-22 as of the first interim report.

Impact of the COVID-19 Pandemic

As a result of the COVD-19 pandemic, the District closed its schools and transitioned to distance learning in spring 2020. Pursuant to SB 117, the District received LCFF funding in fiscal year 2019-20 based on its ADA through February 29, 2020, and was held harmless for not meeting minimum instructional day and minute requirements during the academic year.

The District began the 2020-21 school year under a distance learning format, transitioning to a hybrid model of education combining distance learning and in-person instruction in _________. For fiscal year 2020-21, ADA for LCFF funding purposes was based on the 2019-20 year, and local educational agencies, including the District, were exempted from the annual minimum instructional minutes requirement. While minimum daily instructional minutes and minimum instructional day requirements were maintained, they could be met through a combination of in-person and distance learning instruction.

The District began the 2021-22 school year with in-person instruction in August 2021. The District offers an independent study program for students who do not wish to return to campus. Since the District is no longer statutorily authorized to offer the type of distance learning alternative to in-person instruction that it provided in the 2020-21 school year, the independent study program serves a significantly smaller portion of its students. For fiscal year 2021-22, ADA for LCFF funding purposes is based on the highest of the 2019-20, 2020-21 or 2021-22 school years. However, because the District operates as a community-funded district, receiving almost all of its LCFF revenue from local property taxes rather than State sources, the District's LCFF funding does not significantly depend on ADA.

The District has been allocated emergency funding of approximately $___ million from the CARES Act, $___ million from the Coronavirus Relief Act (also referred to as "ESSER II"), $___ million from ARPA (also referred to as "ESSER III") and $___ million from AB 86 to address COVID-19 related expenditures specifically and the impact of the COVID-19 pandemic on District students generally. Some of the expenses of the COVID-19 pandemic have been offset by not operating sites on a full-time basis, such as reductions in costs relating to substitute teachers, reduced electricity costs and costs relating to transportation and fuel. [The District currently expects such funding will cover the increased expenditures relating to COVID-19 that the District incurs through 2021-22.]

The District receives a significant portion of its revenues from local property taxes. Declines in local property taxes as a consequence of the COVID-19 outbreak could result in a corresponding decline in revenues available for the District. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein. The District cannot predict the outbreak's extent or duration or what impact the outbreak as well as responses by federal, State or local authorities may have on the District's financial condition. See "SECURITY AND SOURCE OF REPAYMENT—The COVID-19 Pandemic" herein.

Pension Plans

All full-time employees of the District, as well as certain part-time employees, are eligible to participate under defined benefit retirement plans maintained by agencies of the State. Qualified certificated employees are eligible to participate in the cost-sharing multiple-employer State Teachers' Retirement System ("STRS"). Qualified classified employees are eligible to participate in the cost-sharing multiple-employer Public Employees' Retirement Fund of the Public Employees' Retirement System ("PERS"), which acts as a common investment and administrative agent for participating public entities within the State.

The District accounts for its pension costs and obligations pursuant to *Governmental Accounting Standards Board* ("GASB") *Statement No. 67, Financial Reporting for Pension Plans* ("GASB 67") and *Statement No. 68, Accounting and Financial Reporting for Pensions* ("GASB 68"). GASB 68 requires an employer that provides a defined benefit pension, such as the District, to recognize and report its long-term obligation for pension benefits as a liability as it is earned by employees. See "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2021" attached hereto.

STRS—Description and Contributions. STRS operates under the Education Code sections commonly known as the State Teachers' Retirement Law. Membership is mandatory for all certificated employees of State public schools meeting eligibility requirements. STRS provides retirement, disability and death benefits to beneficiaries. Benefits are based on members' hire date, final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

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. This resulted in the combined employer, employee and State contributions to the STRS Defined Benefit Program not being sufficient to pay actuarially required amounts. 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 in 2014 to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by statute to contribute 8.25 percent of eligible salary expenditures to the STRS Defined Benefit Program, while participants contributed 8.0 percent of their respective salaries. On June 24, 2014, former Governor Brown signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 sought 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 on July 1, 2014, the employee contribution rate increased over a three-year phase-in period. Pursuant to the California Public Employees' Pension Reform Act of 2013, the contribution rates for members hired after January 1, 2013 will be adjusted if the normal cost increases by more than one percent since the last time the member contribution was set. The following table sets forth STRS member contribution rates for the past five years and the current year.

Member Contribution Rates
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired On or after January 1, 2013
July 1, 2016	10.250%	9.205%
July 1, 2017	10.250	9.205
July 1, 2018	10.250	10.205
July 1, 2019	10.250	10.205
July 1, 2020	10.250	10.205
July 1, 2021	10.250	10.205

Sources: AB 1469 and STRS.

Pursuant to AB 1469, K-14 school districts' contribution rates were scheduled to increase over a seven-year phase in period beginning in fiscal year 2014-15. For fiscal year 2021-22 and beyond, 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 based upon the recommendation from its actuary; provided that the rate cannot change in any fiscal year by more than one percent 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 percent. AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with the 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.

The State budget for fiscal year 2019-20 (the "2019-20 State Budget"), the 2020-21 State Budget and the 2021-22 State Budget provided supplemental payments by the State to STRS to reduce the required contributions by school districts. Set forth in the following table are school districts' STRS contribution rates as enacted in AB 1469 as well as the contribution rates after consideration of the payments made by the State on behalf of school districts in the 2019-20 State Budget, the 2020-21 State Budget and the 2021-22 State Budget.

Employer Contribution Rates[1]
STRS (Defined Benefit Program)

Effective Date	AB 1469 Enacted STRS Contribution Rate	Actual STRS Contribution Rate
July 1, 2014	8.88%	8.88%
July 1, 2015	10.73	10.73
July 1, 2016	12.58	12.58
July 1, 2017	14.43	14.43
July 1, 2018	16.28	16.28
July 1, 2019	18.13	17.10
July 1, 2020	19.10	16.15
July 1, 2021	19.10	16.92

[1]Percentage of eligible salary expenditures to be contributed.
Sources: AB 1469, the 2019-20 State Budget, the 2020-21 State Budget and the 2021-22 State Budget.

The State also contributes to STRS, currently in an amount equal to 8.328 percent of covered STRS member payroll for fiscal year 2021-22. The State's contribution reflects a base contribution rate of 2.017 percent plus 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. In addition, the State is currently required to make an annual general fund contribution up to 2.5 percent 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 percent of the purchasing power of their initial allowance.

The District's actual STRS contributions for the past five years and budgeted STRS contributions for fiscal year 2021-22 as of the first interim report are set forth in the following table.

STRS Employer Contributions
Los Gatos Union School District

Fiscal Year	District Contribution Rate	District Contribution[1]	Total District Governmental Funds Expenditures	District Contributions as Percentage of Total Governmental Funds Expenditures
2016-17	12.58%	$2,345,800	$47,332,392	4.96%
2017-18	14.43	2,706,496	49,197,155	5.50
2018-19	16.28	3,120,754	50,367,144	6.20
2019-20	17.10	3,282,784	49,077,720	6.69
2020-21	16.15	3,378,867	54,017,690	6.26
2021-22[2]	16.92	5,580,780[3]	52,560,464[3]	10.62

[1]In each instance equal to 100 percent of the required contribution.
[2]Budgeted as of the 2021-22 first interim report.
[3]Includes State on-behalf payment.

PERS—Description and Contributions. All full-time classified employees of the District as well as certain part-time classified employees participate in PERS, which provides retirement and disability benefits as well as death benefits to plan members and beneficiaries. Benefits are based on members' hire date, years of service credit, a benefit factor and the member's final compensation.

Pursuant to Government Code Section 20840 *et seq*., PERS is authorized to create risk pools for public agencies, combining assets and liabilities across employers in large risk-sharing pools to help reduce the large fluctuations in the employer's contribution rate caused by unexpected demographic events. The "Schools Pool" provides identical retirement benefits to nearly all classified school employees in the State.

Members in the PERS Schools Pool hired on or before December 31, 2012, with five years of total service are eligible to retire at age 55 with benefits equal to 2.0 percent of final compensation for each year of service credit. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 62 with benefits equal to 2.0 percent of final compensation for each year of service credit. All members in the PERS Schools Pool are eligible for non-duty disability benefits after five years of service. Active plan members with an enrollment date prior to January 1, 2013 are required to contribute 7.0 percent of their salary. Active plan members with an enrollment date on or after January 1, 2013 are required to contribute the greater of 50 percent of normal costs or 6.0 percent of their salary—for fiscal year 2021-22 their contribution rate is also 7.0 percent.

State law requires that the PERS employer contribution rate be determined on an annual basis through an actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of the employee.

The District's actual PERS contributions for the past five years and budgeted PERS contributions for fiscal year 2021-22 as of the first interim report are set forth in the following table.

PERS Employer Contributions
Los Gatos Union School District

Fiscal Year	District Contribution Rate	District Contribution[1]	Total District Governmental Funds Expenditures	District Contributions as Percentage of Total Governmental Funds Expenditures
2016-17	13.888%	$591,254	$47,332,392	1.25%
2017-18	15.531	698,176	49,197,155	1.42
2018-19	18.062	900,904	50,367,144	1.79
2019-20	19.721	1,031,037	49,077,720	2.10
2020-21	20.700 [2]	1,129,194	54,017,690	2.09
2021-22[3]	22.910 [2]	1,246,198	52,560,464	2.37

[1]In each instance equal to 100 percent of the required contribution.
[2]Reflects supplemental payments by the State to the PERS Schools Pool to reduce employer contribution rates.
[3]Budgeted as of the 2021-22 first interim report.

Unfunded Liabilities and Pension Expense Reporting. Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these liabilities will vary depending on actuarial assumptions, returns on investment, salary scales and participant contributions. The actuarial funding method used in the STRS actuarial valuation as of June 30, 2020 is the entry age normal cost method, and assumes, among other things, a 7.0 percent investment rate of return, 3.0 percent interest on member accounts, projected 2.75 percent inflation, and projected payroll growth of 3.5 percent.

The following table shows the statewide funding progress of the STRS plan for the previous five years.

Funding Progress
California State Teachers' Retirement System (STRS)[1]

Actuarial Valuation Date as of June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
2016	$169,976	$266,704	$96,728	64%	$30,324	319%
2017	179,689	286,950	107,261	63	31,961	336
2018	190,451	297,603	107,152	64	32,613	329
2019	205,016	310,719	105,703	66	33,679	314
2020	216,252	322,127	105,875	67	34,617	306

[1]Dollars in millions.
Sources: California State Teachers' Retirement System, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021; California State Teachers' Retirement System, Defined Benefit Program Actuarial Valuation for Fiscal Year Ended June 30, 2020.

The District's proportionate share of the State STRS net pension liability as reported in its audited financial statements for the past five years are set forth in the following table.

Proportionate Share of the Net Pension Liability—STRS
Los Gatos Union School District

Fiscal Year	Proportion of Statewide Net Pension Liability	Proportionate Share of Statewide Net Pension Liability	Covered Employee Payroll	Proportionate Share of Statewide Liability as Percentage of Covered Employee Payroll	Fiduciary Net Position as Percentage of Total Pension Liability
2016-17	0.0337%	$27,280,304	$17,080,718	159.71%	70.04%
2017-18	0.0346	32,020,631	18,647,059	171.72	69.46
2018-19	0.0354	32,507,013	18,756,036	173.31	70.99
2019-20	0.0356	32,191,615	19,169,251	167.93	72.56
2020-21	0.0335	32,437,687	19,197,567	168.97	71.82

In December 2016, PERS approved a plan to reduce the assumed investment rate of return from 7.50 percent to 7.00 percent over a three-year period. In addition, on December 20, 2017, PERS adopted new actuarial assumptions based on an experience study of PERS membership performed every four years. As the result of the study, updates were made to various assumptions including mortality, retirement rates and inflation. The reduction of the inflation assumption was implemented in two steps in conjunction with the decreases in the discount rate.

The actuarial funding method used in the PERS Schools Pool Actuarial Valuation as of June 30, 2020 (the "2020 PERS Schools Actuarial Valuation") is the entry age normal cost method, and assumes, among other things, a 7.00 percent investment rate of return, 2.50 percent annual inflation and 2.75 percent annual payroll growth. The 2020 PERS Schools Actuarial Valuation determined the employer contribution rate for fiscal year 2021-22 to be 22.91 percent of salary.

The following table shows the statewide funding progress of the PERS Schools Pool for the previous five years.

Funding Progress
Public Employees' Retirement System (PERS) Schools Pool[1]

Actuarial Valuation Date as of June 30	Market Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
2016	$55,785	$77,544	$21,759	71.9%	$13,022	167.1%
2017	60,865	84,416	23,551	72.1	13,683	172.1
2018	64,846	92,071	27,225	70.4	14,234	191.3
2019	68,177	99,528	31,351	68.5	14,844	211.2
2020	71,400	104,062	32,662	68.6	15,295	213.6

[1]Dollars in millions.
Source: California Public Employees' Retirement System, Schools Pool Actuarial Valuation as of June 30, 2020.

The District's proportionate share of the State PERS Schools Pool net pension liability as reported in its audited financial statements for the past five years are set forth in the following table.

Proportionate Share of the Net Pension Liability—PERS Schools Pool
Los Gatos Union School District

Fiscal Year	Proportion of Statewide Net Pension Liability	Proportionate Share of Statewide Net Pension Liability	Covered Employee Payroll	Proportionate Share of Statewide Liability as Percentage of Covered Employee Payroll	Fiduciary Net Position as Percentage of Total Pension Liability
2016-17	0.0330%	$6,510,083	$3,958,074	164.48%	73.90%
2017-18	0.0334	7,974,621	4,257,301	187.32	71.87
2018-19	0.0341	9,079,819	4,495,371	201.98	70.85
2019-20	0.0360	10,496,646	4,987,842	210.44	70.05
2020-21	0.0363	11,136,302	5,228,117	213.01	70.00

For the year ended June 30, 2021, the District's combined recognized pension expense was $8,070,544. The District's total net pension liability as of June 30, 2021 was $43,573,989.

The District is unable to predict the future amount of State pension liabilities or the amount of required District contributions. The District's pension plans, annual contribution requirements and liabilities are more fully described in "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2021" attached hereto.

Other Postemployment Benefits (OPEB)

In addition to the pension benefits described above, the District provides postemployment health care benefits (known as "other postemployment benefits," or "OPEB") as part of a single-employer defined benefit plan (the "OPEB Plan"). The OPEB Plan is administered by the District and allows employees who retire after achieving retirement eligibility requirements to receive medical, dental, vision and life insurance coverage until age 65. Employees hired after June 30, 2010 are not eligible to participate in the OPEB Plan.

OPEB Plan benefits are provided through a third-party insurer, and the full cost of benefits is covered by the OPEB Plan. The District Board has the authority to establish or amend benefit terms offered by the OPEB Plan, and also retains the authority to establish the requirements for paying for the OPEB Plan's benefits as they come due. As of June 30, 2020, there were 143 participants in the OPEB Plan, including 16 inactive employees receiving benefit payments and 127 active employees.

The District accounts for its pension costs and obligations pursuant to GASB *Statement No. 74 Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans* ("GASB 74") and *Statement No. 75 Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions* ("GASB 75"). GASB 74 and GASB 75 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 will be recognized on the income statement of the participating employers. In the notes to its financial statements, employers providing OPEB 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. GASB 74 and GASB 75 are directed at quantifying and disclosing OPEB obligations, and do not impose any requirement on public agencies to fund such obligations.

The District's total OPEB liability (the "TOL") based on an actuarial valuation as of June 30, 2020 was $4,298,029. The District has established a trust account with Self Insured Schools of California ("SISC") GASB 45 Trust A, which was created to provide governmental agencies an investment mechanism for pre-funding future OPEB costs. SISC is an agent multiple-employer plan as defined in GASB 74 with pooled administrative and investment functions. As of June 30, 2020, the District's assets in the SISC GASB 45 Trust A had an actuarial value of $1,918,674, leaving a net OPEB liability (the "NOL") as of June 30, 2020 of $2,379,355. The actuarial valuation as of June 30, 2020 was used to determine the District's OPEB liability in its fiscal year 2020-21 audit.

Every year, active employees earn additional future benefits, an amount known as the "service cost," which is added to the NOL. The service cost in fiscal year 2020-21 was $133,636. The service cost would increase each year based on covered payroll. OPEB expense, the amount recognized in accrual basis financial statements as the current period expense, includes the service cost, interest and certain changes in the NOL, adjusted to reflect deferred inflows and outflows. The District's OPEB expense in fiscal year 2020-21 was $125,003.

The District funds its OPEB liability on a "pay-as-you go" basis. The District's contributions to the OPEB Plan were $146,267 in fiscal year 2019-20, were $181,116 in fiscal year 2020-21 and are budgeted to be $______ in fiscal year 2021-22 as of the first interim report. See "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2021" for additional information regarding the District's OPEB.

Public Entity Risk Pools

The District is a member of the Santa Clara County School District Insurance Group ("SCCSIG"). The District pays premiums to SCCSIG for property, liability and workers compensation insurance coverage. The relationship between the District and SCCSIG is such that SCCSIG is not a component unit of the District for financial reporting purposes. SCCSIG has budgeting and financial reporting requirements independent of its member, and its financial statements are not presented in the District's financial statements; however, fund transactions between SCCSIG and the District are included in the District's financial statements.

Cyber Security

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. [The District has never had a major cyber breach that resulted in a financial loss. The District maintains insurance coverage for cyber security losses should a successful breach ever occur.]

No assurance can be given that the District's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the District. The District is also reliant on other entities and service providers, such as the County Director of Finance for the levy and collection of property taxes securing payment of the Bonds and the Paying Agent in its role as paying agent. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Registered Owners and Beneficial Owners, e.g., systems related to the timeliness of payments to Registered Owners and Beneficial Owners.

DISTRICT FINANCIAL INFORMATION

It should not be inferred from the inclusion of the information in this section concerning the operations of the District and its finances that the principal of or interest on the Bonds is payable from the General Fund. The Bonds are payable from the proceeds of an ad valorem *property tax, approved by the voters of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied and collected by the County on all taxable property within the boundaries of the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

All tables in this section "DISTRICT FINANCIAL INFORMATION" are derived from the District's audited financial statements, interim financial reports or other information provided by the District unless a source is otherwise indicated.

Accounting Practices

The District accounts for its financial transactions in accordance with the policies and procedures of the State Department of Education's *California School Accounting Manual*, which, pursuant to Education Code Section 41010, is to be followed by all school districts in the State. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by GASB and the American Institute of Certified Public Accountants.

The District's financial statements consist of government-wide statements and fund-based financial statements. Government-wide statements, consisting of a statement of net position and a statement of activities, report all the assets, liabilities, revenue and expenses of the District and are accounted for using the economic resources measurement focus and accrual basis of accounting. The fund-based financial statements consist of a series of statements that provide information about the District's major and non-major funds. Governmental funds, including the General Fund, special revenues funds, capital project funds and debt service funds, are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, while expenditures are recognized in the period in which the liability is incurred, if measurable. Proprietary funds and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. See "NOTE 1" in "APPENDIX A" attached hereto for a further discussion of applicable accounting policies.

The independent auditor for the District in fiscal year 2020-21 was Stephen Roatch Accountancy Corporation, Certified Public Accountants, Folsom, California (the "Auditor"). The financial statements of the District as of and for the year ended June 30, 2021, are set forth in "APPENDIX A" attached hereto. The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. The Auditor has not been engaged to perform and has not performed, since the date of its report attached hereto, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

Budget and Financial Reporting Process

The 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 federal and State school apportionments, taxes, use of money and property, and aid from other governmental agencies.

The District is required by provisions of the Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting format for all school districts.

The fiscal year for all State school districts and county offices of education is July 1 to June 30. Because most school districts depend on State funds for a substantial portion of revenue, the State budget is an extremely important input in the school district budget preparation process. However, there is very close timing between final approval of the State budget (legally required by June 15), the adoption of the associated school finance legislation, and the adoption of local school district budgets. In some years, the State budget is not approved by the legal deadline which forces school districts to begin the new fiscal year with only estimates of the amount of funding they will actually receive.

The school district budgeting process involves continuous planning and evaluation. Within the deadlines, school districts work out their own schedules for considering whether or not to hire or replace staff, negotiating contracts with all employees, reviewing programs, and assessing the need to repair existing or acquire new facilities. Decisions depend on critical estimates of enrollment, fixed costs, and commitments in contracts with employees as well as best guesses about how much money will be available for elementary and secondary education. The timing of some decisions is forced by legal deadlines. For example, preliminary layoff notices to certificated employees must be delivered by March 15, with final notices by May 15 (should the enacted State budget not increase funding per ADA by at least two percent, an additional layoff window for certificated employees is opened until August 15). This necessitates projecting enrollment and determining staffing needs long before a school district will know either its final financial position for the current year or its revenue for the next year.

School districts must adopt an annual 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 governing board of the school district must not adopt a budget before the governing board adopts a local control and accountability plan (the "LCAP") for that budget year. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein.

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, will determine if the budget allows the school district to meet its current obligations, will determine if the budget is consistent with a financial plan that will enable the school district to meet its multi-year financial commitments, and will determine if the budget ensures the fiscal solvency and accountability for the goals outlined in the LCAP. On or before September 15, the county superintendent will approve or disapprove the adopted budget for each school district within its jurisdiction based on these standards. The school 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 school district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction (the "State Superintendent") of all school districts whose budget may be disapproved, and no later than November 8, the county superintendent must notify the State Superintendent of all school district budgets that have been disapproved or budget committees waived.

For school districts whose budgets have been disapproved, the school district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, and responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, will approve or disapprove the revised budget. 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. 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.

Under the provisions of State Assembly Bill 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. Each school district is required by the Education Code to file two interim reports each year—the first report for the period ending October 31 by not later than December 15, and the second report for the period ending January 31 by not later than March 15. Each interim report shows fiscal year-to-date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. 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, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that, based upon current projections, 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, based upon current projections, may not meet its financial obligations for the current fiscal year or subsequent two fiscal years. If either the first or second interim report is not positive, the county superintendent may require the school district to provide a third interim report by June 1 covering the period ending April 30. If not required, a third interim report is generally not prepared (though may be at the election of the school district).

The county superintendent must annually present a report to the governing board of the school district and the State Superintendent regarding the fiscal solvency of any school district with a disapproved budget, qualified interim certification, or negative interim certification, or that is determined at any time to be in a position of fiscal uncertainty, pursuant to Education Code Section 42127.6. Any school district with a qualified or negative certification must allow the county office of education at least 10 working days to review and comment on any proposed agreement made between its bargaining units and the school district before it is ratified by the school district board (or the state administrator). The county superintendent will notify the school district, the county board of education, the school district governing board and the school district superintendent (or the state administrator), and each parent and teacher organization of the school district within those 10 days if, in his or her opinion, the agreement would endanger the fiscal well-being of the school district. Also, pursuant to Education Code Section 42133, a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or the next succeeding fiscal year, non-voter approved debt unless the county superintendent of schools determines that the repayment of that debt by the school district is probable.

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

Certifications of Interim Financial Reports
Los Gatos Union School District

Fiscal Year	First Interim	Second Interim
2016-17	Positive	Positive
2017-18	Positive	Positive
2018-19	Positive	Positive
2019-20	Positive	Positive
2020-21	Positive	Positive
2021-22	Positive	n/a

Financial Statements

Figures presented in summarized form herein have been gathered from the District's financial statements. The audited financial statements of the District for the fiscal year ended June 30, 2021, have been included in "APPENDIX A" attached hereto. Audited financial statements and other financial reports for prior fiscal years are available on the MSRB's EMMA website and are on file with the District and available for public inspection during normal business hours.

The following table sets forth the District's audited General Fund balance sheet data for fiscal years 2016-17 through 2020-21.

General Fund Balance Sheet
Los Gatos Union School District

	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Audited	2020-21 Audited
Assets					
Deposits and Investments	$9,864,553	$10,308,566	$11,335,737	$13,094,050	$17,675,449
Receivables	936,782	936,297	1,059,276	1,758,209	1,486,047
Due from Other Funds	8,244	0	0	19,995	8,100
Prepaid Expenditures	28,348	34,738	47,098	149,056	95,562
Total Assets	$10,837,927	$11,279,601	$12,442,111	$15,021,310	$19,265,158
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	$589,551	$954,513	$524,116	$616,064	$1,322,642
Unearned Revenue	167,324	161,344	295,910	131,831	513,409
Due to Other Funds	9,984	31,515	0	1,137	0
Total Liabilities	$766,859	$1,147,372	$820,026	$749,032	$1,836,051
Fund Balances					
Nonspendable	$31,148	$37,538	$49,898	$151,856	$100,597
Restricted	1,469,735	1,982,980	1,757,000	1,650,499	2,181,585
Assigned	1,366,910	1,156,868	2,173,686	2,182,816	5,390,401
Unassigned	7,203,275	6,954,843	7,641,501	10,287,107	9,756,524
Total Fund Balances	$10,071,068	$10,132,229	$11,622,085	$14,272,278	$17,429,107
Total Liabilities and Fund Balances	$10,837,927	$11,279,601	$12,442,111	$15,021,310	$19,265,158

The following table sets forth the District's audited General Fund activity for fiscal years 2016-17 through 2020-21 and budgeted activity for fiscal year 2021-22 as of the first interim report.

General Fund Activity
Los Gatos Union School District

	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Audited	2020-21 Audited	2021-22 First Interim
Beginning Balance	$11,100,159	$10,071,068	$10,132,229	$11,622,085	$14,272,278	$17,429,107
GASB 54 Adjustment[1]	0	0	0	0	0	(2,560,490)
Adjusted Beginning Balance	$11,100,159	$10,071,068	$10,132,229	$11,622,085	$14,272,278	$14,868,617
Revenues						
LCFF	$26,920,889	$28,092,392	$30,134,647	$31,760,901	$34,611,834	$36,009,354
Federal Revenue	637,080	635,689	657,584	633,876	1,399,021	631,829
Other State Revenues	2,862,423	3,439,197	4,797,252	3,754,421	4,117,613	6,050,170
Other Local Revenues	7,017,782	7,445,065	7,912,093	7,925,256	7,443,340	7,900,075
Total Revenues	$37,438,174	$39,612,343	$43,501,576	$44,074,454	$47,571,808	$50,591,428
Expenditures						
Certificated Salaries	$18,834,829	$19,310,861	$19,547,795	$19,619,086	$21,718,774	$22,904,278
Classified Salaries	4,405,843	4,595,755	4,957,112	5,171,267	5,663,530	5,598,961
Employee Benefits	7,937,590	8,508,564	10,856,768	10,320,145	10,259,429	10,656,813
Books and Supplies	1,303,989	1,514,482	1,568,980	1,544,358	2,177,799	2,362,163
Services and Operating Exp.	4,241,368	4,370,088	4,664,546	4,460,653	4,462,192	6,136,731
Capital Outlay	56,611	191,855	79,480	23,108	0	134,021
Other Expenditures	186,932	183,509	185,039	103,344	15,155	221,751
Total Expenditures	$36,967,162	$38,675,114	$41,859,720	$41,241,961	$44,296,879	$48,014,718
Other Financing Sources	($1,500,103)	($876,068)	($152,000)	($182,300)	($118,100)	($737,705)
Net Increase (Decrease)	($1,029,091)	$61,161	$1,489,856	$2,650,193	$3,156,829	$1,839,005
Ending Balance	$10,071,068	$10,132,229	$11,622,085	$14,272,278	$17,429,107	$16,707,622
GASB 54 Adjustment[1]	0	0	0	0	0	3,015,567
Ending Balance, GAAP Basis	$10,071,068	$10,132,229	$11,622,085	$14,272,278	$17,429,107	$19,723,189

[1]The District has implemented Government Accounting Standard Board Statement No. 54, Fund Balance Reporting and Government Type Definitions ("GASB 54"), the effect of which was to reclassify and restate the District's Deferred Maintenance Fund and Special Reserve Fund for Other Than Capital Outlay Projects within the General Fund. However, the District's internal reporting, including the fiscal year 2021-22 first interim report, does not reflect the implementation of GASB 54, and therefore does not include activity within the Deferred Maintenance Fund and Special Reserve Fund for Other Than Capital Outlay Projects.
Figures may not total due to rounding.

The 2021-22 First Interim Report

The District Board approved the District's first interim report for fiscal year 2021-22 (the "2021-22 First Interim Report") at its meeting on December 14, 2021. The 2021-22 First Interim Report projects General Fund revenues to exceed expenditures (including net transfers out of the General Fund) by approximately $1.8 million in fiscal year 2021-22. The General Fund ending balance as of June 30, 2022, is budgeted to be approximately $16.7 million in the 2021-22 First Interim Report, including approximately $3.7 million of restricted funds and $13.0 million of unrestricted funds. In addition, the District has budgeted a fiscal year 2021-22 ending fund balance of $3.0 million of unrestricted funds in the Deferred Maintenance Fund and $18,381 of unrestricted funds in the Special Reserve Fund for Other Than Capital Outlay Projects, which amounts are included in the General Fund for financial reporting purposes under GASB 54.

Revenues

The District categorizes its General Fund revenues into four primary sources: LCFF, federal revenues, other State revenues and other local revenues.

Local Control Funding Formula (LCFF). For nearly half a century, State school districts operated under general purpose revenue limit funding based on a district's average daily student attendance, much of which was restricted by category as to how each dollar could be spent. Revenue limit funding was calculated by multiplying a school district's ADA (using the greater of the current or prior year P-2 ADA) by the school district's revenue limit funding per ADA, with certain adjustments.

In landmark legislation effective fiscal year 2013-14, the State introduced a new school district funding formula, the local control funding formula or LCFF. LCFF consolidated most categorical programs in order to give school districts more control over how to spend their revenues. At full implementation of LCFF, school districts receive a uniform base grant per student based on grade span, a supplemental grant based on an unduplicated count of the targeted disadvantaged students ("unduplicated students") in the school district, and an additional concentration grant based on the number of unduplicated students in the school district above 55 percent, with qualifying schools receiving an additional necessary small school allowance. The base, supplemental, and concentration grant amounts per student were set in fiscal year 2012-13 and are subject to cost-of-living adjustments thereafter. School districts that would otherwise receive less funding at full implementation of LCFF than they did under the revenue-limit system are also guaranteed an additional Economic Recovery Target ("ERT") grant to restore funding to at or above their pre-recession funding, adjusted for inflation.

LCFF was originally scheduled to be phased in over eight years through fiscal year 2020-21. To calculate LCFF funding during the phase-in period, school districts calculated their "funding gap," the difference between LCFF funding calculated at full implementation and their "funding floor," an amount based on fiscal year 2012-13 funding levels under the revenue limit system adjusted for prior LCFF phase-in adjustments. School districts received their funding floor plus a percentage of their funding gap as specified in the State budget. In fiscal year 2018-19, the State funded 100 percent of the remaining gap. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein for more information about LCFF.

In fiscal year 2020-21, the District was scheduled to receive $23,977,789 as its entitlement under LCFF. However, the District operates as a community-funded district, receiving more from local property tax revenue more than it otherwise would receive under the LCFF calculation. The District retains all of the local property tax revenue above the calculated LCFF amount. The District is entitled to receive an additional $121,495 in minimum State aid to ensure at least the same level of State aid as received in fiscal year 2012-13 when more categorical programs were funded by the State. In addition, the District is entitled to received $200 per ADA from State revenues generated from a temporary income tax increase on high-income taxpayers, which amount totaled $577,076 in fiscal year 2020-21. In the event that the District's local property tax collections do not exceed the LCFF calculation, the District will receive funding from the State based on the LCFF calculation. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein for more information about LCFF.

Set forth in the following table are the District's local property tax revenues for LCFF calculation purposes compared to the LCFF funding the District would have received for the past six fiscal years were it not a community-funded district, along with estimated information for fiscal year 2021-22.

Local Property Tax Revenues Compared to State Calculated LCFF Funding
Los Gatos Union School District

Fiscal Year	Local Property Tax Revenues	State Calculated LCFF Funding[1]	Local Property Tax Revenues / State Calculated LCFF Funding
2015-16	$23,494,513	$22,274,793	105.5%
2016-17	25,400,758	23,614,445	107.6
2017-18	26,683,035	23,631,114	112.9
2018-19	28,588,802	24,549,295	116.5
2019-20	30,215,330	24,343,805	124.1
2020-21	32,922,647	23,977,789	137.3
2021-22[2]	33,746,900	_________	___._

[1]Does not include additional minimum State aid provided to community-funded school districts to ensure at least the same level of State aid as received in fiscal year 2012-13.
[2]Estimated.

Funding of the District's LCFF is accomplished by a mix of a) local taxes (composed predominantly of property taxes, including miscellaneous taxes and certain one-time and ongoing community redevelopment funds) and b) State apportionments. As a community-funded district, the large majority of the District's LCFF funding comes from local property tax revenue.

LCFF revenues were 72.1 percent of General Fund revenues in fiscal year 2019-20, were 72.8 percent of General Fund revenues in fiscal year 2020-21 and are budgeted to be 71.2 percent of General Fund revenues in fiscal year 2021-22 as of the 2021-22 First Interim Report.

Federal Revenues. The federal government provides funding to the District under several programs, including the Individual with Disabilities Education Act and Title I, Title II and Title III. These federal revenues, most of which historically have been restricted, were 1.4 percent of General Fund revenues in fiscal year 2019-20, were 2.9 percent of General Fund revenues in fiscal year 2020-21 and are budgeted to be 1.2 percent of General Fund revenues in fiscal year 2021-22 as of the 2021-22 First Interim Report. Included in fiscal year 2020-21 federal revenues are approximately $__ million of emergency funding allocated from the CARES Act and the Coronavirus Relief Act, while fiscal year 2021-22 federal revenues include approximately $__ million from the Coronavirus Relief Act and ARPA.

Other State Revenues. In addition to apportionment revenues, the State provides funding to the District for categorical programs including special education. These other State revenues were 8.5 percent of General Fund revenues in fiscal year 2019-20, were 8.7 percent of General Fund revenues in fiscal year 2020-21 and are budgeted to be 12.0 percent of General Fund revenues in fiscal year 2021-22 as of the 2021-22 First Interim Report. Fiscal year 2020-21 other State revenues include approximately $0.1 million of COVID-related funding, while fiscal year 2021-22 other State revenues include approximately $2.8 million of COVID-related funding from AB 86. Also included in other State revenues are proceeds received from the State from the State lottery.

Other Local Revenues. Included in other local revenues are the proceeds of a parcel tax approved by District voters, certain redevelopment property taxes, and donations from the Los Gatos Education Foundation and home and school clubs. Parcel tax revenues were $2,741,457 in fiscal year 2019-20, were $2,717,622 in fiscal year 2020-21 and are budgeted to be $2,750,000 in fiscal year 2021-22 as of the 2021-22 First Interim Report. See "THE DISTRICT—Parcel Tax" herein. Redevelopment property taxes included in other local revenues were $2,457,250 in fiscal year 2019-20, were $2,589,408 in fiscal year 2020-21 and are budgeted to be $2,849,570 in fiscal year 2021-22 as of the 2021-22 First Interim Report. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES—Community Redevelopment and Revitalization" herein. Donations from the Los Gatos Education Foundation and home and school clubs were $______ in fiscal year 2019-20, were $1,499,884 in fiscal year 2020-21 and are budgeted to be $1,867,606 in fiscal year 2021-22 as of the 2021-22 First Interim Report. Revenues from other local sources totaled 18.0 percent of General Fund revenues in fiscal year 2019-20, totaled 15.6 percent of General Fund revenues in fiscal year 2020-21 and are budgeted to be 15.6 percent of General Fund revenues in fiscal year 2021-22 as of the 2021-22 First Interim Report.

Expenditures

The largest components of a school district's general fund expenditures are certificated and classified salaries and employee benefits. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits. Even with no negotiated salary increases or changes in staffing levels, normal "step and column" advancements on the salary scale result in increased salary expenditures.

Employee salaries and benefits were 85.1 percent of General Fund expenditures in fiscal year 2019-20, were 85.0 percent of General Fund expenditures in fiscal year 2020-21 and are budgeted to be 81.6 percent of General Fund expenditures in fiscal year 2021-22. Included in fiscal year 2021-22 expenditures are a 3.0 percent ongoing salary increase for LGETA, LGUCEA and management employees.

Short-Term Borrowings

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

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

Capitalized Lease Obligations

The District has in the past made use of various capital lease arrangements under agreements that provide for title of items and equipment being leased to pass to the District upon expiration of the lease period.

As of June 30, 2021, the District had no capital lease arrangements outstanding.

Long-Term Borrowings

2001 Authorization. On June 5, 2001, more than two-thirds of qualified voters authorized the issuance by the District of $91.0 million in general obligation bonds (referred to as the "2001 Authorization"). There is no unused authorization remaining from the 2001 Authorization.

On October 19, 2010, the District issued the 2010 Bonds in the aggregate principal amount of $28,190,000 to refund general obligations bonds previously issued under the 2001 Authorization. On December 20, 2011, the District issued the Los Gatos Union School District (Santa Clara County, California) 2012 General Obligation Refunding Bonds (the "2012 Refunding Bonds") in the aggregate principal amount of $22,220,000 to refund general obligations bonds previously issued under the 2001 Authorization. On October 21, 2014, the District issued the Los Gatos Union School District (Santa Clara County, California) 2014 General Obligation Refunding Bonds (the "2014 Refunding Bonds") in the aggregate principal amount of $17,210,000 to refund general obligations bonds previously issued under the 2001 Authorization. On December 17, 2015, the District issued the Los Gatos Union School District (Santa Clara County, California) 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds") in the aggregate principal amount of $11,390,000 to refund general obligations bonds previously issued under the 2001 Authorization.

2010 Authorization. On June 8, 2010, more than 55 percent of qualified voters authorized the issuance by the District of $30.9 million in general obligation bonds (referred to as the "2010 Authorization). On May 25, 2011, the District issued the 2011A Bonds in the aggregate principal amount of $11,360,000 and the Los Gatos Union School District (Santa Clara County, California) Election of 2010 General Obligation Bonds, Series 2011B (the "2011B Bonds") in the aggregate principal amount of $4,340,000. On November 27, 2012, the District issued the Los Gatos Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2010, Series 2012 (the "2012 Bonds") in the aggregate principal amount of $15,200,000. There is no unused authorization remaining from the 2010 Authorization.

The following table summarizes the District's outstanding long-term indebtedness as of April 1, 2022.

Outstanding General Obligation Bonds
Los Gatos Union School District

Authorization	Issue	Final Maturity	Principal Amount Issued	Principal Outstanding as of April 1, 2022	Debt Service in Fiscal Year 2021-22
Refunding	2010 Bonds[1]	August 1, 2026	$28,190,000	$9,760,000	$2,936,488
2010 Authorization	2011A Bonds[1]	August 1, 2035	11,360,000	5,760,000	255,125
2010 Authorization	2011B Bonds	August 1, 2025	4,340,000	2,570,000	534,710
Refunding	2012 Refunding Bonds	August 1, 2030	22,220,000	17,885,000	1,456,240
2010 Authorization	2012 Bonds[2]	August 1, 2037	15,200,000	6,940,000	615,169
Refunding	2014 Refunding Bonds	August 1, 2032	17,210,000	14,800,000	629,525
Refunding	2015 Refunding Bonds	August 1, 2032	11,390,000	9,835,000	635,163
				$67,550,000	$7,062,419

[1]To be refunded in full by the Bonds
[2]To be refunded in part by the Bonds.

[The District has not defaulted on the payment of principal of or interest on any of its short-term indebtedness, capital lease obligations or long-term indebtedness in the past 10 years.] All long-term indebtedness of the District as of June 30, 2021, is set forth in "APPENDIX A" attached hereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES

Background

From the Separation of Sources Act (1910) until Proposition 13 (1978), local governments had control over property tax rates and revenues within their jurisdiction. Voter approval was not required for most taxes, charges or fees imposed by local governments. Each school district in the State raised revenue by taxing local property owners according to a tax rate established by its governing board, subject to voter approval, and received some supplemental funds from the State. The State's role in providing for public education and education facilities was limited during this time. Local school districts relied largely on general obligation bonds as the primary source of funding for school facilities.

The passage of Proposition 13 brought this local property tax system to an end, fundamentally changing local government finance. Local government entities are no longer authorized to levy a general tax rate. Instead, they share in the revenues generated by Proposition 13's countywide tax rate. In the year following the passage of Proposition 13, local property tax revenue across the State fell approximately 60 percent. In order for school districts to continue operating, the State had to assume primary responsibility for public school funding, replacing the lost property tax revenue with moneys from the State general fund. As a result of Proposition 13, control over revenues shifted away from local school districts to the State government. Proposition 13 also eliminated the ability of school districts to issue bonds; for a decade, the State provided some of the cost of school facilities projects until the passage of Proposition 46 (1986) restored the ability of school districts to issue such bonds.

Article XIIIA of the State Constitution

Article XIIIA, added to the State Constitution by Proposition 13 and amended over time, limits the *ad valorem* property tax rate that can be levied on real property to one percent of its "full cash value" except to pay debt service, discussed below. "Full cash value" is defined as the property's assessed value as of the fiscal year 1975-76 tax bill, annually increased by the lesser of either two percent or the rate of inflation. Subsequently, the property is reappraised for tax purposes upon a change in ownership or new construction. Several types of changes in ownership and construction have been exempted from the reassessment requirement by amendment, including improvements for seismic retrofit, solar energy, fire prevention, disability access, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property is destroyed in a declared disaster, and certain transfers of property between family members.

In most years, the market value of a property increases at a rate greater than the maximum two percent increase a county is allowed to calculate. As amended by Proposition 8 (1978), Article XIIIA allows for a county to temporarily reduce the assessed value to current market value when the market value of the property falls below the property's adjusted acquisition value due to an economic recession, natural disaster or other cause of damage. In years in which reduced reassessments are widespread, property tax revenue available to local governments such as school districts is reduced. Pursuant to interpretation of the Revenue and Taxation Code and upheld by State courts, once the market has rebounded or the property has been repaired to substantially its original condition, a county may increase the assessed value of the property at a rate greater than two percent annually until it has reached the property's pre-decline assessed value.

As a result of these laws, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property and of similar properties more recently sold. Likewise, changes in ownership of property and reassessment of such property to market value commonly lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full two percent increase on any property that has not changed ownership. Any increase or decrease in assessed valuation is allocated among the various jurisdictions.

The one percent tax is levied and collected by each county, and the revenue is apportioned by the county to each local government agency in the taxing area roughly in proportion to the relative shares of taxes as levied prior to 1979. Local government agencies, including school districts, may not directly levy any *ad valorem* property tax, unless the property tax is levied to pay debt service (interest and redemption charges) on a local government's indebtedness approved by voters prior to July 1, 1978, or, thereafter, as amended by Proposition 46 (1986), bonded indebtedness for the acquisition or improvement of real property approved by a two-thirds majority. In addition, Proposition 39 (2000) added a provision allowing for a lowered voter approval rate specifically for bonds to fund school facilities projects. A school district or community college district may levy *ad valorem* property taxes in excess of one percent with 55 percent voter approval if the bonds will be used for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities. The measure must include the specific list of projects to be funded and certification that the school district's governing board has evaluated safety, class size reduction, and information technology needs in developing the list, and must 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. Pursuant to legislation, the projected tax rate per $100,000 of taxable property value levied as the result of any single election may be no more than $60 in a unified school district, $30 in a high school or elementary school district, or $25 in a community college district. The 2010 Authorization was conducted pursuant to Proposition 39.

Article XIIIB of the State Constitution

Article XIIIB, added to the State Constitution by Proposition 4 (1979), amended by Proposition 111 (1990), limits the amount of certain funds, including tax revenues, that may be annually appropriated by the State and local governments, including school districts, to the amount appropriated the prior year, adjusted to reflect the rate of economic growth by measuring the change in *per capita* personal income and population. Certain payments are exempt from the appropriations limit calculation, including debt service payments; certain benefit payments, mandated expenses, State payments to school districts and community college districts, increases in revenues gained from fuel, vehicle and tobacco taxes, emergency appropriations; and qualified capital outlay projects (projects involving fixed assets such as land or construction that have an expected life of more than 10 years and a value greater than $100,000).

Tax revenues in excess of the appropriation limit are shared between increased education funding and taxpayer rebates. Calculated over two years, half of any excess is transferred to K-14 school districts and half is returned to taxpayers through a revision of tax rates within two fiscal years. Any such excess revenues transferred to K-14 school districts are not counted as part of the school districts' base expenditures for calculating their entitlement for State aid in the next year, nor is the State's appropriations limit increased by this amount. If a K-14 school district's revenues exceed its appropriations limit, the school district may increase its appropriations limit to equal its spending by borrowing from the State's appropriations limit.

Articles XIIIC and XIIID of the State Constitution

Articles XIIIC and XIIID, added to the State Constitution by Proposition 218 (1996) and amended over time, limit the ability of local governments, including school districts, to levy and collect non-*ad valorem* property taxes, assessments, fees and charges. The law establishes that a tax must be either a "general" tax, requiring the approval of a simple majority of voters, the proceeds of which can only be used for general government purposes, or a "special" tax, requiring the approval of two-thirds of voters, the proceeds of which are used for a specific purpose, or if the tax is levied by a special-purpose government agency, including a school district. Any tax levied on property, other than the *ad valorem* property tax governed by Article XIIIA, is a special tax, requiring the approval of two-thirds of voters. Special-purpose government agencies, such as a school district, cannot levy general taxes.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. A portion of the District's revenues are received annually from property taxes. The State Constitution and the laws of the State impose a mandatory, statutory duty on the County Director of Finance to levy a property tax sufficient to pay debt service on the Bonds coming due in each year. There is no court case which directly addresses whether the initiative power may be used to reduce or repeal the *ad valorem* property taxes pledged to repay general obligation bonds. In the case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)*, the California Supreme Court held that water service charges may be reduced or repealed through a local voter initiative subject to Article XIIIC. The Supreme Court did state that it was not holding that the initiative power is free of all limitations. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the United States Constitution.

The initiative power can be used to reduce or repeal most local taxes, assessments, fees and charges. Article XIIID deals with assessments and property-related fees and charges and expressly cautions that its provisions shall not be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is available to repeal or reduce developer and mitigation fees imposed by the District. The District has no power to impose taxes except those property taxes associated with a general obligation bond election, following approval by 55 percent or two-thirds of the District's voters, depending upon the legal authority for the issuance of such bonds.

As amended by Proposition 26 (2010), the law defines any levy, charge, or exaction of any kind imposed by a local government as a tax requiring voter approval. The following exceptions do not require voter approval: a reasonable charge for a specific benefit, privilege, product or service that is received only by the payor of the charge; a reasonable charge for regulatory costs of issuing a license or permit, performing an inspection or audit, or enforcing an order; a charge for use, rental, or purchase of government property; a charge, fine or penalty for violation of law; and assessments and property-related fees imposed as a condition of property development. Although such fees and charges levied by one taxing jurisdiction do not directly impact the amount of revenue available to another taxing jurisdiction from *ad valorem* property taxes, if the ability to impose the fee or charge is restricted, it could indirectly impact such revenues.

Minimum Guarantee of State Funding for Education

Proposition 98 (1988), added Article XVI to the State Constitution, requiring that "from all State revenues there shall first be set apart the moneys to be applied by the State for support of the public school system and higher education." Known as the "minimum guarantee," funding for K-14 school districts, made up of a combination of State general fund income tax revenues and local property tax revenues, must be the greater of either the same percentage of State general fund revenues as was appropriated in fiscal year 1986-87, or the amount actually appropriated to such school districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The minimum guarantee allocated each year, determined by a set of tests, is approximately 40 percent or more of State general fund revenues. The amount of the minimum guarantee is not finalized until the final economic analysis is completed for a fiscal year; if the revisions result in a higher minimum guarantee than was budgeted, the State makes a one-time "settle-up" payment and uses the increased minimum to calculate the subsequent year's funding, as described below. If the revised minimum guarantee is lower than budgeted, the State can use the higher level or make mid-year adjustments to reduce funding.

"Test 1" (share of the State general fund) allocates approximately 41 percent of the State general fund revenue to K-14 school districts. Test 1, in which the amount of the minimum guarantee is based on the share of the State general fund revenue spent on K-14 education funding in fiscal year 1986-87, only applies if Test 2 or Test 3 (described below) does not result in additional funding for K-14 school districts. Test 1 has been used 8 times in the last 33 years, including fiscal years 2018-19, 2019-20 and 2020-21 (budgeted).

"Test 2" (change in *per capita* personal income) provides that K-14 school districts receive the same amount of funding received in the prior year, adjusted for year-over-year statewide changes in K-12 attendance and *per capita* personal income. Test 2 is used if it results in more funding for K-14 school districts than Test 1 (unless Test 3 applies instead). Test 2 has been used in 16 of the past 33 years, including fiscal year 2017-18.

"Test 3" (change in general fund revenue) provides that K-14 school districts receive the same amount of funding received in the prior year, adjusted for year-over-year statewide changes in K-12 attendance and general fund revenue; this calculation is only used if the percentage change in *per capita* State general fund revenue is less than the change in *per capita* personal income. Test 3 has been used in 9 of the past 33 years, including fiscal years 2015-16 and 2016-17.

In years of economic hardship, the State Legislature can suspend the minimum guarantee for a year by a two-thirds vote, which also triggers the maintenance factor obligation, to be restored in later years. Such suspension has only occurred twice, in fiscal years 2004-05 and 2010-11.

The State creates a maintenance factor obligation when Test 3 is operative or when the minimum guarantee is suspended. In any year in which Test 3 is used, the difference between the actual amount of funding provided and the amount that would have been appropriated, under the larger amount of either Test 1 or Test 2, is considered a "maintenance factor" credit to K-14 school districts, to be restored in future years when State revenue growth rebounds to exceed personal income. The State constitution requires the maintenance factor be paid off in annual amounts determined by formula, with stronger revenue growth generally requiring larger payments.

The State Legislature has the authority to spend more than the minimum guarantee, although any increase creates a higher minimum floor for the following year; this has occurred from time to time. At times, the State also has had outstanding one-time Proposition 98 obligations known as "settle-up" obligations. A settle-up obligation is created when the minimum guarantee increases midyear, and the State does not make an additional payment within that fiscal year to meet the higher guarantee. The increased amount is used as the base for the following year's minimum guarantee. Settle-up funds can be used for any educational purpose, including paying off other state one-time obligations, such as deferrals and mandates.

Community Redevelopment and Revitalization

Beginning with the Community Redevelopment Act (1945) under Article XVI of the State Constitution, amended over time, until the termination and dissolution of the program in 2011, a local government could improve an economically depressed area by creating a redevelopment agency (an "RDA") to pay for development projects with the future increase in property tax revenue, or "tax increment," attributable to the growth in assessed value of taxable property within the project area when the project was complete. However, the allocation of the tax increment to the local RDA caused a reduction in the one percent countywide property tax levy for other local taxing agencies, including school districts, although *ad valorem* property taxes in excess of the one percent property tax levy collected for payment of debt service on school district bonds were not affected. Although a school district could negotiate with the RDA for "pass-through" payments of local tax revenues, because the State was replacing the school district's lost tax revenue, there was little incentive for most school districts to negotiate for greater amounts of pass-through from the RDAs. The State's share of reimbursements to such school districts soared into the hundreds of millions of dollars per year.

Facing economic crisis, Assembly Bill, First Extended Session 26 ("AB1X 26") (2011), upheld by the State Supreme Court in *California Redevelopment Association v. Matosantos* (2011), was enacted to dissolve the more than 400 RDAs in the State to preserve funding for core public services at the local level. Successor agencies were established to facilitate the management of projects underway, making payments on enforceable obligations, and disposing of assets and properties. Senate Bill 107 (2015) streamlined the dissolution process and expanded the types of loans for which cities and counties can seek reimbursement. The District does receive pass-through payments from a dissolution process. See "DISTRICT FINANCIAL INFORMATION—Revenues" herein.

Assembly Bill 2 ("AB2") (2015), the result of several legislative efforts to replace the redevelopment law in order to provide local government options for sustainable community economic development, is a limited version of the former law, targeting only the State's most impoverished areas. AB2 allows a local government to create a community revitalization investment area ("CRIA") if several conditions are met, including measures of unemployment, crime, and dilapidated infrastructure and residential structures, which are required to ensure that the CRIA process is actually used for the intended purpose of alleviating blight. Significantly, school districts are prohibited from participating in the CRIA; because schools may not contribute their share of the tax increment to the project area, the funding impact to schools and the State is avoided. Assembly Bill 2492 (2016) was enacted that clarified implementation issues of AB2.

Limits on State Authority Over Local Tax Revenues

State and local governments' funding and responsibilities are interrelated. Both levels of government share revenues raised by certain taxes such as sales and fuel taxes, and both also share in the costs for some programs such as health and social services. Although the State does not receive local property tax revenue, it has had authority over the distribution of these revenues among local agencies and school districts. Under Article XIIIA, the State had the authority to permanently shift property taxes among local governments. At times, the State fulfilled some portion of the Proposition 98 minimum guarantee by shifting some of the property tax revenues share belonging to cities, counties, other special districts and redevelopment agencies to K-14 school districts through an Educational Revenue Augmentation Fund ("ERAF") established in each county.

Proposition 1A (2004) amended Articles XI and XIII of the State Constitution to require two-thirds approval of the State Legislature to shift property tax revenues allocation between local governments, preventing the State from reducing the property tax share allocated to cities, counties, and special districts. However, the State could still transfer property tax revenues to schools in the case of severe fiscal hardship and two-thirds approval of the State Legislature.

Proposition 22 (2010) amended Articles XIII and XIX of the State Constitution to further restrict the State's control over local property taxes in order to stabilize local government revenue sources. Even during times of severe fiscal hardship, the State could not take revenue derived from locally imposed taxes, such as parcel taxes, hotel taxes, utility taxes, and sales taxes, for State purposes, nor could the State delay distribution of tax revenues to local governments, redirect redevelopment agency property tax revenue to other local governments such as school districts, or shift money to the school districts under an ERAF. As a result, the State would have to take other actions to balance its budget in some years, such as reducing State spending or increasing State taxes. Proposition 22's restriction of the State's ability to shift local funds made K-14 school districts more directly dependent on the State general fund for Proposition 98 funding.

Temporary State Tax Increases

From 2008 to 2012, the State eliminated more than $56 billion from State and local funding for local services including education, police, fire, and health care. Proposition 30 (2012) allows the State to levy a temporary sales tax (lasting four years) and income tax on high-income earners (lasting seven years), the revenues of which are dedicated to increased education funding and to balance the State budget. Existing law requires that in years in which the State's general fund revenues grow by a large amount, funding for education must also be increased by a large amount. The tax revenues allocated to education as part of the minimum guarantee are deposited into the Education Protection Account ("EPA"), recalculated and distributed quarterly to K-14 school districts (89 percent to K-12 school districts and 11 percent to community college districts) as a continuing appropriation not subject to budget adoption. The funds are distributed in the same manner as existing unrestricted per-student funding. The Proposition 30 tax revenue is included in the Proposition 98 calculation, raising the guarantee by billions each year. The remaining Proposition 30 tax revenues will be used to balance the budget.

Proposition 55 (2016) extends the income tax increase on high-income taxpayers until 2030. Approximately half of the revenue raised by this measure is allocated to K-14 school districts. The measure also directs half of any excess revenues, up to a maximum of $2 billion, for additional funding for Medi-Cal, if revenues exceed the constitutionally required education spending and the costs of government programs in place as of January 1, 2016. A portion would also be saved in reserves and spent on debt payments. Any remaining revenues would be available for any State purpose.

Enacted Budget Required for Disbursement of State Funds

In years in which the State Legislature has not enacted a budget by the required deadline, the fiscal year begins without an enacted budget, and the State has, in some cases, issued registered warrants or IOUs, to pay certain State employees' wages and State debts. In 1988, during such a budgetary impasse, a taxpayers' association argued that such warrants were not authorized without an enacted budget. In the case, known as *Jarvis v. Connell*, the State Court of Appeal held that without an enacted budget, State funds may not be disbursed unless the payment is authorized by the State Constitution, as a continuing appropriation, or by federal mandate. This could affect school district budgets to the extent that, if there is neither an enacted budget nor emergency appropriation, State payments owed to school districts could be delayed unless they are required as a continuing appropriation or federal mandate.

State and School District Budgetary Reserves

Proposition 58 (2004) amended Article IV of the State Constitution to require the State to enact a balanced budget, in which estimated revenues would meet or exceed estimated expenditures in each year, and that mid-year adjustments be made if the budget fell out of balance. The law established the Budget Stabilization Account (the "BSA") in the State's general fund, which required a deposit of three percent of the State general fund each year.

Proposition 2 (2014) addressed the need for long-term financial stability in the State in the face of economic volatility by dedicating funds to pay down the State's debt, changing the State's reserve policies, and creating a separate budget reserve for K-14 school districts called the Public School System Stabilization Account (the "PSSSA"). The law reduced legislative discretion over the timetable for the repayment of State debts and required that 1.5 percent of the State general fund be deposited into the BSA annually, plus an additional amount when the State experiences spikes in capital gains tax revenue in excess of eight percent of State general fund revenues. The PSSSA, also funded with capital gains spikes, is drawn upon when the Proposition 98 minimum guarantee exceeds available State general fund and property tax revenues. Through 2030, half of the funds deposited each year into the BSA must be used to pay fiscal obligations such as budget loans and unfunded State level pension plans. Funds may be withdrawn from the BSA only for a disaster-related emergency or a fiscal emergency (which occurs if estimated resources in the current or upcoming fiscal year are insufficient to keep spending at the level of the prior three budgets adjusted for inflation and population). In the case of a recession, only half of the funds can be withdrawn. As a result, a large amount of incremental gains in the State's general fund revenues are allocated to building reserves and repaying debt.

The State has a constitutional obligation to ensure that school districts continue to operate even in times of financial difficulty so that the education of students in the State is not disrupted. The State requires school districts to maintain a minimum reserve in their general fund's reserve for economic uncertainties to help school districts manage cash flow, address unexpected costs, save for large purchases, reduce costs of borrowing money, and mitigate the volatility in funding produced by the reliance on tax revenue funding sources. The minimum reserve amount required depends on the size of the school district's enrollment. Smaller school districts are required to keep a higher percentage of reserves because they are more easily overwhelmed by unexpected costs, such as a single major facility repair, which could deplete most of its reserves in a single year. School districts with enrollment of 300 or fewer students, which represent 25 percent of school districts in the State, must keep a minimum reserve of five percent of expenditures. School districts with enrollment of 301 to 1,000 students, which represent 17 percent of school districts in the State, must keep a minimum reserve of four percent. School districts with enrollment of 1,001 to 30,000 students, which represent 55 percent of school districts in the State, must keep a minimum reserve of three percent. School districts with enrollment of 30,001 to 400,000 students, which represent three percent of school districts in the State, must keep a minimum reserve of two percent. The one school district in the State with an enrollment of 400,001 or more students must keep a minimum reserve of one percent. Many school districts attempt to keep their reserve levels higher than State minimum requirements.

Senate Bill 858 (2014), enacted as trailing legislation to the fiscal year 2014-15 State budget, required K-12 school districts, in the event of a deposit by the State to the PSSSA, to reduce total assigned and unassigned reserves in the following year to no more than twice its minimum reserve for economic uncertainties, ranging from one to five percent of expenditures depending on the size of the school district. Senate Bill 751 (2018), signed into law on October 11, 2017 and effective January 1, 2018, makes certain changes to the cap on school district reserves, increasing both the State PSSSA deposit amount required to trigger the reserve cap (to three percent of State general fund revenues appropriated for K-12 school districts), and increasing the cap on individual school district reserves (to 10 percent of combined assigned and unassigned ending general fund balances). In addition, basic aid school districts and small school districts with fewer than 2,501 students are exempted from the cap. County education officials can exempt a school district from the cap if the school district demonstrates extraordinary fiscal circumstances, including undertaking multi-year infrastructure or technology projects. A smaller reserve could affect the school district's financial condition in the event of an economic downturn. The District cannot predict when a deposit to the PSSSA might occur or whether future legislation will be enacted that changes this requirement.

School Facilities Funding

The Leroy F. Greene School Facilities Act (1998) established the State Facilities Program ("SFP") to allocate funding grants based on proposals submitted by school districts for the new construction of or the modernization of existing school facilities, although the program has evolved to allow funding for other types of school facility needs including facility hardship, seismic mitigation, charter school facilities, relief of overcrowding, career technical education facilities, incentives for energy efficiency and high-performance architectural attributes, and joint-use programs with other government entities.

Funding for SFP grants comes from statewide general obligation bonds approved by the voters in the State. The State retires these bonds by making annual debt service payments. In fiscal year 2016-17, the State paid $2.4 billion in debt service on previously issued K-12 facilities bonds and $300 million in debt service on community college facilities bonds. Proposition 1A (1998) provided $9.2 billion ($6.7 billion for K-12 facilities), Proposition 47 (2002) provided $13.2 billion ($11.4 billion for K-12 facilities), Proposition 55 (2004) provided $12.3 billion ($10 billion for K-12 facilities), Proposition 1D (2006) provided $10.4 billion ($7.3 billion for K-12 facilities), and Proposition 51 (2016), the first initiative facilities bond measure, provides $9 billion ($6 billion for K-12 facilities).

Proposition 51 amends the Education Code, prescribing the fiscal allocation and purpose of the $9 billion bond and establishing the 2016 State School Facilities Fund and the 2016 California Community College Capital Outlay Bond Fund in the State Treasury. Of the total amount, $6 billion is allocated to K-12 facilities (half for new construction and half for modernization), $500 million for charter schools, $500 million for career technical education programs, and $2 billion to community colleges.

In most cases, K-12 school and community college districts that receive funding for approved projects must match the funding with local funding according to the type of project. Projects for the purchase of land and new construction are matched evenly. Modernization projects require a match of 40 percent local funding to 60 percent State funding. If no local funding is available, the school district can apply for additional grant funding. Community college projects do not have a specified contribution model and are determined individually. K-12 school and community college districts may sell local general obligation bonds to cover the school district's share of the cost of facility projects. K-12 school districts may also raise funds for facilities by charging fees on new development (community college districts may not). Both K-12 school and community college districts may also raise funds by parcel taxes and other methods used less frequently.

Impact of Future Legislation

Laws affecting school district funding and the power of State and local governments to raise and spend revenue have been subject to many changes as voters and lawmakers react to economic and political cycles. The complex patchwork of the many different provisions at times results in uncertainty regarding their operation or interpretation. Many of the laws discussed above were enacted through the State's initiative process. Initiative constitutional amendments may be changed only by another statewide initiative. Legislative constitutional provisions may be changed by a majority vote of both houses of the State Legislature and approval by the Governor, if the change furthers the purposes of the provision. The District cannot predict whether or when the voters in the State or the State Legislature will approve further legislation that could restrict the District's sources of revenue or its ability to spend that revenue, or require the District to appropriate additional revenue.

FUNDING OF PUBLIC EDUCATION IN THE STATE

Sources of Revenue for Public Education

There are four general sources of funding for K-12 public education in the State: State funding, the principal source of funding for most school districts, the federal government, local property taxes and other local funding sources. Proposition 13 eliminated the possibility of raising additional *ad valorem* property taxes above one percent for general-purpose school support, and the courts have declared that school districts may not charge fees for school-related activities, unless the charge is specifically authorized by law for a particular program or activity. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES" herein.

State Funding. Many school districts in the State receive the majority of their funds from the State. According to the State Legislative Analyst's Office (the "LAO"), State funding accounted for 59.7 percent of the State's K-12 public education funding in fiscal year 2018-19. There are three sources of State funds for K-12 public education: the Proposition 98 minimum guarantee, comprised of a combination of State general fund revenues and local property tax revenues, representing the majority (80 percent in fiscal year 2018-19) of State funding; additional State funds for targeted programs such as facilities and remaining categorical programs such as special education, nutrition, afterschool programs, and home-to-school transportation; and State lottery funds, a portion of which may only be used for instructional purposes. The Proposition 98 guaranteed minimum amount is set forth each year in the State budget. See "—The 2020-21 State Budget" herein.

More than 60 percent of the State's general fund revenue comes from personal income taxes, with capital gains taxes representing more than 10 percent of the State's general fund revenue, so a downturn in the stock market may significantly impact the State's general fund. Because funding for education in the State depends on the amount of money available in the State general fund, the linkage can result in significant volatility in education funding. For instance, during the recent recession in fiscal year 2011-12, State general fund revenues available for education funding were approximately eight percent less than the amount available four years prior. Provisions added to the State Constitution and statutes in 2013 and 2014 attempt to provide funding stability to public education by capturing spikes in capital gains revenue to use for paying down debts and obligations and to create reserves. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES" herein.

The State Revenue Limit was instituted in fiscal year 1973-74 to provide a mechanism to calculate the total amount of general-purpose revenue a school district, community college district or county office of education is entitled to receive from combined State and local sources per average daily attendance, known as its "revenue limit," and the funding from this calculation formed the bulk of school districts' income, and was annually increased to adjust for changes in the cost of living. The revenue limit for each school district or county office of education was funded first by the property tax revenue available to that entity, with the remaining balance filled by State funds. "Community-funded" school districts whose local property tax revenues exceeded their calculated revenue limit did not receive State revenue limit funding, although such school districts did receive the constitutionally required minimum funding, or "basic aid" per pupil, and categorical State and federal aid that was restricted to specific programs and purposes.

In landmark legislation, the fiscal year 2013-14 State budget replaced revenue limit funding with the LCFF. The LCFF transfers control over spending decisions to local authorities, requiring community input about those spending decisions along with increased transparency and accountability for the outcomes of those decisions. The general-purpose funds for school districts are now funneled through LCFF, and funds received through categorical programs are greatly reduced. As under the revenue limit system, the amount a school district is entitled to receive for general-purpose LCFF funds is financed through the local property tax revenue available to the school district, with the remaining balance funded by the State.

Most public education funding from the State is provided through the LCFF, including approximately 80 percent of Proposition 98 funding for K-12 public education. As under the revenue limit system, school districts continue to receive funds based on the greater of prior year or current year ADA figures. Under LCFF, school districts across the State receive the same base grants for each grade span, based on ADA. In fiscal year 2019-20, the adjusted base grants were $8,503 for kindergarten through third grade, $7,818 for fourth through sixth grade, $8,050 for seventh through eighth grade, and $9,572 for ninth through twelfth grade. These figures include increases for class size reduction for kindergarten through third grade and career technical education for ninth through twelfth grade.

School districts receive a supplemental grant of 20 percent of the base grant for each student in the school district who is low-income, English-learner, or foster youth. Enrollment counts are "unduplicated," such that students may not be counted as both English-learner and low-income (foster youth automatically meet the eligibility requirements for free or reduced-price meals and are therefore not discussed separately). School districts with more than 55 percent enrollment of unduplicated students receive a concentration grant, an additional 50 percent of the base grant for each unduplicated student above the threshold, intended to address the additional academic challenges faced by such students when their peers are similarly disadvantaged. The supplemental and concentration grants are allocated so that as a school district's proportion of unduplicated students increases, so does its total funding allocation. A school district in which 100 percent of enrollment is unduplicated students will receive 42.5 percent more total funding than a school district with no unduplicated students. The supplemental and concentration grant amounts are based on the unduplicated count of pupils divided by the total enrollment in the school district, based on the fall P-1 certified enrollment report. School districts have broad discretion to decide how to spend the base grant. The supplemental and concentration grants must be used to increase or improve services to the population they are intended to serve, although some services may be provided school district - or site-wide.

The implementation of LCFF began in fiscal year 2013-14, with full implementation planned by fiscal year 2020-21, but was completed ahead of schedule in fiscal year 2018-19. Until full implementation has occurred, the difference between the actual amount school districts receive in a year and the target amount they will receive as of full implementation is referred to as the "funding gap." The funding gap is determined by the difference between the "funding floor," or amount of funding a school district received the prior year, and the target amount of funding the school district will receive at full implementation. The funding floor consists of the deficited revenue limit for fiscal year 2012-13 divided by ADA multiplied by current year ADA, plus the sum of any categorical funding. Sufficient funding was available to fund 12 percent of the funding gap in fiscal year 2013-14, 33 percent of the remaining gap in fiscal year 2014-15, 53 percent of the remaining gap in fiscal year 2015-16, 57 percent of the remaining gap in fiscal year 2016-17, 43 percent of the remaining gap in fiscal year 2017-18, and 100 percent of the remaining gap in fiscal year 2018-19, bringing LCFF to full implementation in the sixth year of its implementation.

Under the "hold harmless" provision, no school district will receive less State aid than it received in fiscal year 2012-13. Most school districts will receive more funding at full implementation of LCFF than they did previously under the revenue-limit system. For some school districts, their per-pupil undeficited fiscal year 2012-13 funding was higher than their LCFF entitlement at full implementation. Such school districts will have their undeficited funding level restored through a supplemental ERT add-on payment. School districts that are eligible for ERT funding will receive the difference between their LCFF target and their fiscal year 2012-13 undeficited funding, adjusted for cost-of-living increases.

Community-funded school districts continue to receive at least the amount of State funding they received in fiscal year 2012-13. Although community-funded school districts do not receive LCFF funding grants, they must comply with the regulations and accountability requirements of LCFF. Community-funded school districts also continue to receive the constitutionally guaranteed $120 per-pupil minimum as well the $200 per-pupil minimum from the EPA pursuant to Proposition 30 as additional revenue. The District is not a community-funded school district.

The State funds school districts in monthly installments based on calculations made in a series of three apportionments throughout the fiscal year. Each apportionment includes funding for the LCFF and for other State programs. The amount of each apportionment is based on calculations made by each school district and reviewed by its county office of education. The Advance Principal Apportionment ("Advance Apportionment"), certified by July 20, sets forth the amount the school district will receive for the year, paid in a series of installments from August through January. The First Principal Apportionment ("P-1 Apportionment"), certified by February 20, set forth a new calculation based on the school district's first period ADA determined as of December, for installments that will be paid to the school district from February through June. The Second Principal Apportionment ("P-2 Apportionment"), certified July 2, based on second period ADA determined as of April, recalculates the amount of the final installment for the fiscal year paid to the school district in July. At the close of the fourth quarter, a final annual recalculation ("Annual Apportionment") provides an updated estimate of the prior year's adjustment.

In addition, school districts receive a quarterly allocation of the tax revenue deposited in the EPA from the temporary tax increases associated with Proposition 30 and extended under Proposition 55. The funds in the EPA are allocated between K-12 school districts and community college districts by 89 percent and 11 percent, respectively, and entitlements are calculated based on the adjusted LCFF entitlement of the school district. The EPA funds received by an LCFF-funded school district count towards the school district's LCFF funding entitlement; community-funded school districts also receive the $200 per-pupil EPA funding. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES" herein.

The LCFF requires each school district to demonstrate that its spending decisions are producing the desired results of increased student performance as stated in each school district's own LCAP. Each school district must create its own annually updated LCAP with input from teachers, parents and the community, including the parents or guardians of unduplicated students. School districts must review and share the results to determine whether spending achieved the goals stated in the LCAP, for each school site and for the school district as a whole. All school districts must use the State's LCAP template beginning fiscal year 2014-15. The LCAP must include a description of the annual goals to be achieved for each student group for each State priority, including the content standards adopted by the SBE. The LCAP of each school district is overseen and approved by the county superintendent.

Charter schools must comply with LCFF and receive mostly the same funds as public schools, although calculation of targeted disadvantaged students differs somewhat to prevent abuse of the system. There are also differences in the process of LCAP adoption and assessment. In the case of a charter school that fails to perform according to its LCAP, the State is not required to provide the same support that a public school district or county office of education receives, and its charter can be revoked.

Federal Funding. According to the LAO, federal revenue accounted for approximately 8.1 percent of the State's K-12 public education funding in fiscal year 2018-19. Most of these funds are designated for particular purposes. There are no unfunded federal education mandates; each is conditioned on a state's voluntary decision to accept federal program funds. The primary source of federal supplemental education funding is the Elementary and Secondary Education Act ("ESEA") (1965), enacted to address inequality in education. The previous authorization of ESEA, the No Child Left Behind Act ("NCLB") (2001), expanded the federal government's role and increased testing requirements to measure improvement. Most recently reauthorized under the Every Student Succeeds Act ("ESSA") (2015), responsibility for school improvement has been shifted to the states. ESSA provides funding through six programs: Title I grants, tied to student assessment, to assist economically disadvantaged children; Title II grants for professional development; Title III grants for ancillary student services; Title IV grants for research and training; Title V grants for state departments; and Title VI grants for special education. Another significant source of federal funding for school districts is the Education for All Handicapped Children Act ("EHA") (1975), enacted to support special education and related services, reauthorized by the Individuals with Disabilities Education Act ("IDEA") (1990). The largest of the law's three sections, Part B, authorizes grants to states and local school districts to offset special education costs. As of fiscal year 2017, IDEA federal funding covered 14.6 percent of the estimated excess cost of educating students with disabilities; the shortfall is assumed by states and local school districts.

Local Property Tax Revenue. According to the LAO, local property taxes revenue accounted for 20.8 percent of the State's K-12 public education funding in fiscal year 2018-19. Property taxes are constitutionally limited to one percent of the property's value, except to repay voter-approved debt.

Other Local Funds. According to the LAO, local miscellaneous revenue accounted for approximately 11.4 percent of the State's K-12 public education funding in fiscal year 2018-19. There are several types of revenue a school district may receive from other local sources, including developer fees, parcel taxes, property lease revenues, and private donations. A school district may levy developer fees on new residential or commercial development within the school district's boundaries to finance the construction or renovation of school facilities. A school district may, with two-thirds approval from local voters, levy special taxes on parcels to fund specific programs within the school district. A school district may lease or sell its unused sites or facilities as another source of revenue. A school district may also seek contributions, sometimes channeled through private foundations established to solicit donations from local families and businesses.

The State Budget Process

Under the State Constitution, money may be drawn from the California Centralized Treasury System (the "State Treasury") only by an appropriation authorized by law. The primary source of annual appropriations authorizations is the budget act approved by the State Legislature and signed by the Governor (the "Budget Act"), which can provide for projected expenditures only to the amount of projected revenues and balances available from prior fiscal years.

The annual budget cycle begins when the Governor releases a proposed budget in January for the next fiscal year, which starts each July 1 and ends June 30. The Governor releases a revised budget in May based on new projections regarding State revenues and feedback from the State Legislature and other constituents. The State Constitution requires that the State Legislature pass the Budget Act by June 15 by majority approval from both Houses. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the State Legislature.

Appropriations may also be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the State Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each House of the State Legislature and be signed by the Governor. The State Constitution or a State statute may also provide for continuing appropriations that are available without regard to fiscal year. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

The 2021-22 State Budget

The 2021-22 State Budget was signed into law by the Governor on June 28, 2021, with additional trailer legislation signed the following month. The State ended fiscal year 2020-21 in a strong fiscal position and in the midst of an ongoing economic recovery. To avoid overcommitting to ongoing spending that cannot be easily adjusted, the 2021-22 State Budget prioritizes one-time spending over ongoing expenditures, with 85 percent of discretionary funds allocated to one-time spending. The 2021-22 State Budget multi-year forecast reflects a budget roughly in balance; however, risks to the economic forecast remain, including a stock market decline that could significantly reduce State revenues. The 2021-22 State Budget acknowledges these risks and includes a phase-in of certain investments that can be adjusted annually through the State budget process.

The 2021-22 State Budget continues to pay down the State's long-term retirement liabilities, with $3.4 billion in payments required by Proposition 2 in fiscal year 2021-22 plus $7.9 billion in additional payments over the next three years. The improved revenue forecast also allows for the elimination of $2 billion in program suspensions enacted in prior budgets.

The 2021-22 State Budget projects the State to be below the State appropriations limit, or "Gann Limit," for the two-year fiscal period of 2020-21 and 2021-22, based in part on statutory changes enacted as part of the 2021-22 State Budget that more accurately account for selected expenditures under both State and local limits and a revised level of excluded spending. The estimate for this two-year period will continue to be revised until May 2023.

Under the 2021-22 State Budget, State general fund revenues and transfers are budgeted to be $175.3 billion in fiscal year 2021-22, a $13.4 billion (7.1 percent) decrease from revised fiscal year 2020-21 estimates. The following table from the State Department of Finance identifies State general fund revenue sources in the 2021-22 State Budget.

State General Fund Revenue Sources
2021-22 State Budget

	2020-21 Revised (Millions)	2021-22 Enacted (Millions)	Dollar Change (Millions)	Percent Change
Personal Income Tax	$125,151	$123,298	($1,853)	(1.5%)
Sales and Use Tax	27,936	28,986	1,050	3.8
Corporation Tax	20,720	18,106	(2,614)	(12.6)
Insurance Tax	3,348	3,426	80	2.4
Alcohol Beverage Taxes and Fees	385	390	5	1.3
Cigarette Tax	60	58	(2)	(3.3)
Motor Vehicle Fees	40	36	(4)	(10.0)
Other	6,124	4,485	(1,639)	(26.8)
Subtotal	$183,764	$178,787	($4,977)	(2.7%)
Transfer to the Budget Stabilization Account	5,011	(3,442)	($8,453)	(168.7)
Total	$188,775	$175,345	($13,430)	(7.1%)

Source: The State Department of Finance.

State general fund expenditures in fiscal year 2021-22 are budgeted to be $196.4 billion, an increase of $30.4 billion (18.3 percent) from revised fiscal year 2020-21 levels. The State budgets ending fiscal year 2021-22 with $25.2 billion in reserves, including $4.0 billion in the Special Fund for Economic Uncertainties (SFEU) reserve, $15.8 billion in the Budget Stabilization Account, $900 million in the Safety Net Reserve and $4.5 billion in the PSSSA.

The following table from the State Department of Finance identifies historical and budgeted State general fund revenues and expenditures under the 2021-22 State Budget.

State General Fund
2021-22 State Budget

	2020-21 Revised (Millions)	2021-22 Enacted (Millions)
Prior-year Fund Balance	$5,557	$28,249
Revenues and Transfers	188,775	175,345
Total Resources Available	$194,332	$203,594
Non-Proposition 98 Expenditures	$98,398	$130,066
Proposition 98 Expenditures	67,685	66,374
Total Expenditures	$166,083	$196,440
Fund Balance	$28,249	$7,154
Encumbrances	3,175	3,175
Special Fund for Economic Uncertainties	25,074	3,979
Safety Net Reserve	$450	$900
Budget Stabilization Account	12,339	15,781
Public School System Stabilization Account	1,889	4,506

Source: The State Department of Finance.

Education Funding. The 2021-22 State Budget includes total K-12 education funding of $123.9 billion ($65.5 billion from the State general fund and $58.4 billion from other State funds) in fiscal year 2021-22—the highest level of funding in the State's history. Per-pupil funding is also at the highest levels ever, totaling $13,976 per pupil in Proposition 98 funding and $21,555 per pupil when accounting for all funding sources.

The 2021-22 State Budget estimates Proposition 98 funding levels of $79.3 billion, $93.4 billion, and $93.7 billion in fiscal years 2019-20, 2020-21, and 2021-22, respectively, representing a historically high three-year increase in the Proposition 98 minimum guarantee of $47 billion over the level funded in the 2020-21 State Budget. The Proposition 98 minimum guarantee continues to be in a Test 1 for fiscal years 2019-20 through 2021-22.

Significant features of the 2021-22 State Budget affecting early care and K-12 education include the following:

- *PSSSA Deposit / Projected Cap on School District Reserves*. The 2021-22 State Budget includes fiscal year 2020-21 and 2021-22 payments of $1.9 billion and $2.6 billion, respectively, into the PSSSA, for a total account balance of $4.5 billion at the end of fiscal year 2021-22. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the PSSSA is equal to or greater than three percent of the total K-12 share of the Proposition 98 minimum guarantee. The PSSSA balance of $4.5 billion in fiscal year 2021-22 would trigger school district reserve caps beginning in fiscal year 2022-23.

- *Local Control Funding Formula (LCFF)*. The 2021-22 State Budget includes a compounded LCFF cost-of-living adjustment of 4.05 percent, representing a fiscal year 2020-21 cost-of-living adjustment of 2.31 percent and a fiscal year 2021-22 cost-of-living adjustment of 1.7 percent. Additionally, to help local educational agencies address ongoing fiscal pressures, the 2021-22 State Budget includes $520 million of Proposition 98 funding to provide a one percent increase in LCFF base funding. This discretionary increase, when combined with the compounded cost-of-living adjustment, results in growth in the LCFF of 5.07 percent over fiscal year 2020-21 levels.

- *Deferrals*. Recession-driven revenue reductions anticipated in the 2020-21 State Budget drove the need to defer LCFF apportionments in the amounts of $1.9 billion in fiscal year 2019-20 and more than $11 billion in fiscal year 2020-21. The 2021-22 State Budget eliminates all K-12 deferrals in fiscal year 2021-22.

- *Universal Transitional Kindergarten*. The 2021-22 State Budget adopts universal transitional kindergarten as part of a mixed delivery system, phasing in expanded age eligibility to full implementation in fiscal year 2025-26. The costs of this plan are anticipated to be approximately $600 million in fiscal year 2022-23, growing to $2.7 billion in fiscal year 2025-26 (the Proposition 98 minimum guarantee will be "re-benched" to draw down State general funds for the costs of new enrollment in each year of increased investment).

- *Comprehensive Student Supports*. The 2021-22 State Budget includes $3 billion of Proposition 98 funding, available over several years, to expand and strengthen the implementation and use of the community school model to all schools in communities with high levels of poverty. In addition, the 2021-22 State Budget includes an ongoing increase to the LCFF concentration grant of $1.1 billion of Proposition 98 funding, increasing the concentration grant from 50 to 65 percent of the LCFF base grant. Further, the 2021-22 State Budget provides $547.5 million one-time Proposition 98 funding for the A-G Completion Improvement Grant Program, which will fund high schools to increase the number of students, particularly students eligible for free and/or reduced price meals, English learners, and foster youth, who graduate from high school having completed the A-G series of classes required for admission to the California State University and University of California.

- *Expanded Learning Time*. To provide children with expanded learning opportunities regardless of their family income, the 2021-22 State Budget makes an initial investment of $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. Funding for expanded learning opportunities is expected to increase over the course of five years, growing to $5 billion in fiscal year 2025-26.

- *Educator Preparation, Retention and Training*. To further expand the State's educator preparation and training infrastructure, including to meet the need for additional early childhood educators, the 2021-22 State Budget provides approximately $2.9 billion to support educator initiatives.

- *Universal School Nutrition*. To ensure that the benefits of child nutrition programs are available to all children, and to reduce the stigma of free and reduced-price meals, the 2021-22 State Budget provides an additional $54 million of Proposition 98 funding to reimburse all meals served to students, including those who would not normally qualify for reimbursement under the State meal program. Additionally, the 2021-22 State Budget provides $150 million of one-time Proposition 98 funding for school districts to upgrade kitchen infrastructure and equipment, as well as to provide training to food service employees.

- *Special Education*. The 2021-22 State Budget reflects the State's ongoing commitment to improve instruction and services for students with disabilities, including among other items, $450 million of one-time Proposition 98 funding for local education agencies to provide learning recovery supports for students with disabilities, $396.9 million of ongoing Proposition 98 funding to increase the statewide base rate for special education funding, $277.7 million of one-time federal Individuals with Disabilities Education Act (IDEA) funds to local educational agencies to increase general statewide special education resources, $260 million of ongoing Proposition 98 funding to support early intervention services for preschool-aged children, $186.1 million of ongoing Proposition 98 funding to provide a 4.05-percent cost-of-living adjustment for State special education funding, and $100 million of one-time Proposition 98 funding for alternative dispute resolution to provide more opportunities for efficient and effective resolution of special education services complaints.

- *Independent Study*. The 2021-22 State Budget requires that all school districts return to full-time in-person instruction for the 2021-22 school year. Consistent with all school years prior to 2020-21, this mode of instruction will be the default for all students, and generally one of only two ways in which local educational agencies can earn State apportionment funding in fiscal year 2021-22. 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 2021-22 State 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.

Governor's Proposed 2022-23 Budget

On January 10, 2022, the Governor released the proposed State budget for fiscal year 2022-23 (the "Proposed 2022-23 State Budget"). Reflecting the State's continuing economic growth in the face of the COVID-19 pandemic, the State has a projected surplus of $45.7 billion, which includes $20.6 billion in State general funds for discretionary purposes, $16.1 billion in additional Proposition 98 funding for K-14 education, and $9 billion in reserve deposits and supplemental pension payments. The Proposed 2022-23 State Budget allocates 86 percent of the discretionary surplus to one-time investments and is projected to be structurally balanced in fiscal year 2025-26, the last year in the State's multi-year forecast.

The Proposed 2022-23 State Budget sets out revised estimated prior year State general fund revenues (including transfers) of $194.1 billion for fiscal year 2020-21 and $196.7 billion for fiscal year 2021-22, and projects State general fund revenues of $195.7 billion for fiscal year 2022-23. The proposal sets out revised estimated State general fund expenditures of $163.4 billion for fiscal year 2020-21 and $210.0 billion for fiscal year 2021-22, and projects State general fund expenditures of $213.1 billion for fiscal year 2022-23.

The Proposed 2022-23 State Budget sets forth revised projected total ending reserves for fiscal year 2021-22 of $40.7 billion (excluding the PSSSA), including $19.3 billion in the Budget Stabilization Account, $20.4 billion in the Special Fund for Economic Uncertainties (SFEU) and $0.9 billion in the Safety Net Reserve. In addition, the PSSSA is forecast to end fiscal year 2021-22 with a balance of $6.7 billion. For fiscal year 2022-23, the Proposed 2022-23 State Budget projects total ending reserves of $24.8 billion (excluding the PSSSA). This amount includes a $1.6 billion deposit to the Budget Stabilization Account for an ending balance of $20.9 billion. With this deposit, the Budget Stabilization Account is now at its constitutional maximum (10 percent of State general fund revenues) requiring $2.4 billion to be dedicated for infrastructure investments in fiscal year 2022-23. The Proposed 2022-23 State Budget also projects an ending balance of $3.1 billion in the Special Fund for Economic Uncertainties (SFEU) reserve and $0.9 billion in the Safety Net Reserve. In addition, the PSSSA is budgeted to end fiscal year 2022-23 with a balance of $9.7 billion.

The Proposed 2022-23 State Budget accelerates the paydown of State retirement liabilities as required by Proposition 2, with $3.9 billion in additional payments in fiscal year 2022-23 and nearly $8.4 billion projected to be paid over the following three years. The Proposed 2022-23 State Budget also projects the Gann Limit will likely be exceeded in fiscal years 2020-21 and 2021-22. Any funds above this limit are constitutionally required to be allocated evenly between K-14 education and a tax refund. An updated calculation of the Gann Limit, and proposals to address it, will be included in the Governor's May revision to the Proposed 2022-23 State Budget.

The economic forecast on which the Proposed 2022-23 State Budget was based was finalized in November 2021 and, as a result, does not consider the surge of the COVID-19 Omicron variant. Consequently, the COVID-19 pandemic remains a risk to the economic forecast. In addition, strong stock market performance has generated a significant increase of volatile capital gains revenue that is approaching its prior peak levels (as a share of the State's economy) in 2000 and 2007. A stock market reversal could lead to a substantial decrease in revenues.

The following table sets forth a summary of the State's general fund budget for fiscal years 2020-21, 2021-22 and 2022-23 under the Proposed 2022-23 State Budget.

State General Fund
Proposed 2022-23 State Budget

	2020-21 Revised (Millions)	2021-22 Revised (Millions)	2022-23 Proposed (Millions)
Prior-year Fund Balance	$6,332	$37,011	$23,651
Revenues and Transfers	194,132	196,669	195,718
Expenditures	163,453	210,030	213,127
Ending Fund Balance	$37,011	$23,651	$6,242
Encumbrances	3,175	3,175	3,175
SFEU Balance	33,836	20,476	3,067
Reserves			
Budget Stabilization Account	$14,827	$19,303	$20,868
Special Fund for Economic Uncertainties	33,836	20,476	3,067
Safety Net Reserve	450	900	900
Total Reserves	$49,023	$40,679	$24,835

Totals may not foot due to rounding.
Source: The State Legislative Analyst's Office.

Education Funding. The Proposition 98 minimum guarantee for K-14 education funding in the State is met each year through a combination of State general funds and local property tax revenue. Each budget cycle, the Proposition 98 minimum guarantee estimates for the prior, current and upcoming year are revised. Proposition 98 funding levels for fiscal years 2020-21 and 2021-22 in the Proposed 2022-23 State Budget increased from the 2021-22 State Budget funding levels by $2.5 billion and $5.3 billion respectively, due almost exclusively to increased State general fund revenues. The Proposed 2022-23 State Budget includes fiscal year 2022-23 Proposition 98 funding of $102.0 billion, $8.2 billion above the level funded in the 2021-22 State Budget and the highest level of State funding for K-14 schools. Total K-12 per-pupil expenditures from all sources are budgeted to be $20,855 in fiscal year 2022-23 under the Proposed 2022-23 State Budget—also the highest levels ever.

Significant features of the Proposed 2022-23 State Budget affecting K-12 public schools include the following:

- *Cost of Living Adjustment*. The Proposed 2022-23 State Budget includes an LCFF cost-of-living adjustment of 5.33 percent—the highest cost-of-living adjustment since the Great Recession. This increase will result in $3.3 billion in additional discretionary funds for local educational agencies. Additionally, local expenditure data indicate that a significant proportion of the approximately $30 billion in one-time COVID-related federal funding provided to local educational agencies in fiscal years 2020-21 and 2021-22 remains available for expenditure, indicating significant available cash for local educational agencies in 2022-23.

- *PSSSA Deposit*. The Proposed 2022-23 State Budget includes fiscal year 2020-21, 2021-22, and 2022-23 payments of $3.1 billion, $3.6 billion, and $3.1 billion respectively into the PSSSA, for a balance of more than $9.7 billion at the end of fiscal year 2022-23. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the PSSSA is equal to or greater than three percent of the total K-12 share of the Proposition 98 minimum guarantee. The PSSSA balance of $6.7 billion in fiscal year 2021-22 triggers school district reserve caps beginning in fiscal year 2022-23.

- *Declining Enrollment Protections*. To allow school districts to adjust to enrollment-related funding declines and minimize the impact of a single-year drop in enrollment, the Proposed 2022-23 State Budget amends the LCFF calculation to consider the greater of a school district's current year, prior year, or the average of three prior years' ADA. This formula change will help districts with significant declining enrollment and better serve remaining students. Ongoing costs associated with these policies are estimated to be $1.2 billion.

- *Independent Study*. In fiscal year 2021-22, the State required that school districts offer families the option of in-person instruction as a condition of receiving State funding. However, the continuing COVID-19 pandemic meant that remote instruction through independent study was necessary to provide parent choice and options for learning. To provide local educational agencies with a mechanism for counting instructional time during independent study (and therefore generate State funding), the State updated the independent study statute to allow local educational agencies to earn apportionment for non-classroom-based instruction. For fiscal year 2022-23, independent study will continue to be an option for local educational agencies to count instructional time for student work completed remotely. To streamline the administration of these programs, the Proposed 2022-23 State Budget: (i) allows synchronous instruction to count for instructional time in traditional independent study, in addition to student work product; and (ii) provides flexibility on the timeline for a local educational agency to collect a signed independent study plan.

- *Early Education*. The 2021-22 State Budget intended to expand transitional kindergarten over the following four years, becoming available to all four-year-old children in fiscal year 2025-26. The Proposed 2022-23 State Budget proposes $639.2 million of State general funds to expand eligibility for transitional kindergarten from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2, beginning in the 2022-23 school year. These funds will increase the Proposition 98 minimum guarantee through the process of re-benching. Additionally, the Proposed 2022-23 State Budget proposes $383 million of Proposition 98 funding to add one additional certificated or classified staff person to every transitional kindergarten class, reducing student-to-adult ratios to more closely align with the State preschool program. The Proposed 2022-23 State Budget invests $197.8 million of Proposition 98 funding and $110.6 million of State general funds to increase State preschool program adjustment factors for students with disabilities and dual language learners.

- *Early Literacy*. The Proposed 2022-23 State Budget proposes $500 million of one-time Proposition 98 funding, available over five years, for grants to high-needs schools to train and hire literacy coaches and reading specialists to guide productive classroom instruction; $200 million of one-time Proposition 98 funding to establish a grant program to enable local educational agencies to create or expand multi-lingual school or classroom libraries offering culturally relevant texts; $10 million of one-time State general funds for the Department of Public Health to partner with First 5 California on the Books for Children Program, and $2 million of one-time State general funds to incorporate early identification for learning disabilities into the State's preschool assessment tools and $60 million of one-time Proposition 98 funding to provide training for educators on effective use of these tools.

- *Educator Workforce*. The Proposed 2022-23 State Budget proposes $54.4 million in a mix of Proposition 98 funding and State general funds to enhance schools' ability to hire qualified teachers and substitutes.

- *Expanded Learning Opportunities Program*. The 2021-22 State Budget provided $1.8 billion for the Expanded Learning Opportunities Program, which by fiscal year 2025-26 would provide all students in low-income communities with no-cost access to nine hours of developmentally appropriate academics and enrichment activities per instructional day and for six weeks each summer. The Proposed 2022-23 State Budget proposes an additional $3.4 billion of ongoing Proposition 98 funding for the Expanded Learning Opportunities Program as well as $937 million of one-time Proposition 98 funding to support Expanded Learning Opportunities Program infrastructure. Finally, the Proposed 2022-23 State Budget continues one-time reimbursement rate increases (at a cost of $148.7 million of ongoing Proposition 98 funding) from the 2021-22 State Budget for the After School Education and Safety and 21st Century Community Learning Centers programs.

- *Special Education*. Over the last three years, the State has augmented special education funding by more than $3.1 billion, including almost $1 billion in ongoing Proposition 98 funding. Building on these investments, the Proposed 2022-23 State Budget proposes an additional $500 million of ongoing Proposition 98 funding for the special education funding formula.

- *College and Career Pathways*. The Proposed 2022-23 State Budget proposes $1.5 billion of one-time Proposition 98 funding over four years to support the development of pathway programs focused on technology (including computer science, green technology, and engineering), health care, education (including early education), and climate-related fields.

- *Transportation*. The Proposed 2022-23 State Budget proposes $1.5 billion of one-time Proposition 98 funding, available over three years, to support school transportation programs, with a focus on greening school bus fleets.

- *Nutrition*. The Proposed 2022-23 State Budget proposes $596 million of Proposition 98 funding, on top of $54 million provided in the 2021-22 State Budget, to fund universal access to subsidized school meals. Additionally, the Proposed 2022-23 State Budget proposes $450 million of one-time Proposition 98 funding, available over three years, to upgrade school kitchen infrastructure and equipment.

- *Farm to School Program*. The 2021-22 State Budget included $60 million of one-time State general funds over two years to support the California Farm to School Program, which connects local producers and school food buyers; increases food education opportunities in classrooms, gardens, and on farms; and engages schools and students with the agricultural community. The Proposed 2022-23 State Budget provides an additional $30 million of one-time State general funds to establish additional farm to school demonstration projects and $3 million of ongoing State general funds to expand the regional California Farm to School Network.

- *K-12 Facilities*. The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (Proposition 51), approved by voters in November 2016, authorized $7 billion in State general obligation bonds to support K-12 school facilities construction. The Proposed 2022-23 State Budget allocates the remaining Proposition 51 bond funds—approximately $1.4 billion—to support school construction projects. Additionally, because Proposition 51 bond authority is expected to be exhausted in fiscal year 2022-23, the Proposed 2022-23 State Budget proposes approximately $1.3 billion of one-time State general funds in fiscal year 2022-23 and $925 million of one-time State general funds in fiscal year 2023-24 to support new construction and modernization projects through the School Facility Program.

Future Budgets

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 or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash and could impair the State's ability to fund schools as budgeted. State budget shortfalls in future fiscal years could have an adverse financial impact on the District.

For more information on the State budget, please refer to the State Department of Finance's website at www.dof.ca.gov and to the LAO's website at www.lao.ca.gov. The District takes no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of the information presented therein, and such information is not incorporated herein by such reference.

LEGAL MATTERS

Litigation

There is no action, suit or proceeding known by the District to be pending or threatened restraining or enjoining the sale or delivery of the Bonds, or in any way contesting or affecting the validity thereof or any proceeding of the District taken with respect to the issuance or sale of the Bonds, or the pledge or application of moneys or security provided for the payment of the Bonds, or the authority of the County to levy *ad valorem* property taxes to pay principal of and interest on the Bonds when due.

The District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the District. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, there currently are no claims or actions pending which could have a material adverse effect on the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

Legal Opinion

The proceedings in connection with the authorization, sale, execution and delivery of the Bonds are subject to the approval as to their legality of Dannis Woliver Kelley as Bond Counsel. The form of the legal opinion of Bond Counsel is attached hereto as "APPENDIX C—FORM OF OPINION OF BOND COUNSEL."

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Bonds and to rendering the aforementioned opinion. Bond Counsel has not been engaged by the District to undertake, and has not undertaken, any responsibility for the accuracy, completeness, or fairness of this Official Statement, and the opinion of Bond Counsel will not extend to any documents, agreements, representations, offering circulars, official statements or other material of any kind concerning the Bonds that are not referred to in the aforementioned opinion. The fees of Bond Counsel are contingent upon the issuance and delivery of the Bonds.

Limitations on Remedies; Amounts Held in the County Pool

The opinion of Bond Counsel with respect to the enforceability of the rights of the Registered Owners and Beneficial Owners is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the Registered Owners and Beneficial Owners 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.

A number of appeals are currently pending before the United States Court of Appeals for the First Circuit involving issues relating to the treatment and scope of special revenues in the insolvency proceedings of Puerto Rico. The decisions in these appeals may or may not affect the treatment or scope of special revenues in bankruptcy cases. It is not possible to predict the outcomes or the effects of the outcomes in these appeals, and the District cannot predict if or how the ruling in the pending appeals may affect the treatment or scope of special revenues in bankruptcy cases.

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County Pool, as described under the caption "SANTA CLARA COUNTY TREASURY POOL" herein and in "APPENDIX D—SANTA CLARA COUNTY TREASURY INVESTMENT POLICY" attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Registered Owners and Beneficial Owners are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which may include taxes that have been collected and deposited into the Interest and Sinking Fund, where such amounts are deposited into the County Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Registered Owners and Beneficial Owners can "trace" those funds. There can be no assurance that the Registered Owners and Beneficial Owners could successfully so "trace" such taxes on deposit in the Interest and Sinking Fund where such amounts are invested in the County Pool. The District Resolution and the Government Code require the County to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds.

Tax Matters

The following discussion of federal income tax matters written to support the promotion and marketing of the Bonds was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding federal tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The form of Bond Counsel's anticipated opinion respecting the Bonds is included in "APPENDIX C." The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the "Tax Certificate") of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the District Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service ("IRS" or the "Service") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the Owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the respective Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain of the Bonds. The initial public offering price of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Bonds. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder's basis in the Discount Bond, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under "—Tax Matters." Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the "Premium Bonds"), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Form of Bond Counsel Opinion. The form of the proposed opinion of Bond Counsel relating to the Bonds is attached to this Official Statement as "APPENDIX C—FORM OF OPINION OF BOND COUNSEL."

Legality for Investment in California

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

RATING

S&P Global Ratings, a division of S&P Global ("S&P"), has assigned a municipal bond rating of "___" to the Bonds. Such rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained from S&P. S&P may have obtained and considered information and material which has not been included in this Official Statement. Generally, S&P bases its ratings on information and material so furnished and on investigations, studies and assumptions made by them. The rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. The District has not undertaken any responsibility to assure the maintenance of the rating or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

Government Financial Strategies inc. has been employed by the District to perform municipal advisory services in relation to the sale and delivery of the Bonds. Government Financial Strategies inc., in its capacity as Municipal Advisor, has prepared this Official Statement. Government Financial Strategies inc. has not, however, independently verified nor confirmed all of the information contained within this Official Statement. Government Financial Strategies inc. will not participate in the underwriting of the Bonds. Fees charged by Government Financial Strategies inc. are not contingent upon the sale of the Bonds.

INDEPENDENT AUDITOR

The financial statements of the District as of and for the year ended June 30, 2021, have been audited by Stephen Roatch Accountancy Corporation, Certified Public Accountants, Folsom, California. The audited financial statements of the District as of and for the year ended June 30, 2021, are set forth in "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2021" attached hereto. The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. The Auditor has not been engaged to perform and has not performed, since the date of its report attached hereto, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

UNDERWRITING AND INITIAL OFFERING PRICE

Following a competitive sale process, the Bonds will be purchased by _______________ (the "Underwriter") pursuant to a bond purchase agreement (the "Bond Purchase Agreement") by and between the District and the Underwriter, at a price of $_______ (equal to the principal amount of the Bonds of $_______, plus an original issue premium of $______, less an underwriting discount of $______). The Underwriter's obligation to purchase the Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The District expects the Underwriter to offer the Bonds to the public at the initial offering prices and yields stated on the inside cover page hereof. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than said public offering prices. The offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The District will covenant for the benefit of the Underwriter, the Registered Owners and the Beneficial Owners of the Bonds to annually provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months after the end of the fiscal year, commencing with the report for fiscal year 2021-22 (which is due no later than March 31, 2023), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of certain enumerated events will be filed by the District with the MSRB through the EMMA website. The specific nature of the information to be contained in the Annual Report and the notices is specified in "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants are being made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

The District has implemented procedures to assist in complying with its continuing disclosure undertakings. Such procedures have been amended in response to two new event notices that were added effective February 27, 2019 to the list of events for which notice is required by the Rule. [As of the date of this Official Statement, the District believes that it has made all required filings in the past five years for currently outstanding issues in connection with prior undertakings under the Rule.]

ADDITIONAL INFORMATION

Additional information concerning the District, the Legal Documents or other matters concerning the sale and delivery of the Bonds may be obtained by contacting Los Gatos Union School District, 17010 Roberts Road, Los Gatos, California 95032, telephone (408) 335-2000, Attention: Chief Business Official or by contacting the Municipal Advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100.

All of the preceding summaries of the Bonds, the Legal Documents, and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith. Further, this Official Statement does not constitute a contract with the purchasers of the Bonds, and any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

Los Gatos Union School District

By: ______________________________
Paul Johnson
Superintendent

APPENDIX A

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

[TO COME]

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[TO COME]

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[TO COME]

APPENDIX D

SANTA CLARA COUNTY TREASURY INVESTMENT POLICY

[TO COME]

APPENDIX E

DTC BOOK-ENTRY ONLY SYSTEM

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The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below), confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners is based solely on information furnished by DTC.

<u>Procedures and Record-Keeping</u>

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest 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 principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

Discontinuance of DTC Services

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds, or (ii) DTC shall no longer so act and gives notice to the District of such determination, then the District will discontinue the book-entry system with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond, per maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names owners of the Bonds transferring or exchanging Bonds shall designate, and the District will prepare and deliver Bonds to the owners thereof for such purpose.

In the event that the book-entry system is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the office of the Paying Agent identified in the Resolutions, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolutions.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolutions; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Resolutions. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.