

NEW ISSUE – BOOK ENTRY ONLY

RATING:
Moody's: “_”
(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 Series E Bonds with certain covenants contained in the Series E Resolution authorizing the Series E Bonds and subject to the matters set forth under “TAX MATTERS” herein, interest on the Series E 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 Series E Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. See “TAX MATTERS” herein.

\$42,835,000*
CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
(Sonoma County, California)
GENERAL OBLIGATION BONDS,
2014 ELECTION, 2021 SERIES E

\$_____*
CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
(Sonoma County, California)
2021 GENERAL OBLIGATION REFUNDING BONDS
(Federally Taxable)

Dated: Date of Delivery

Due: August 1, as shown on inside cover.

The City of Santa Rosa High School District (Sonoma County, California) General Obligation Bonds, 2014 Election, 2021 Series E (the “Bonds”) are being issued by the City of Santa Rosa High School District (the “District”) to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith, as more fully described herein under the caption “PLAN OF FINANCE - The Projects.” The Series E Bonds were authorized at an election within the District held on November 4, 2014 (the “Election”) at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of \$175,000,000 aggregate principal amount of general obligation bonds of the District (the “Authorization”). The Series E Bonds are the fifth series of general obligation bonds issued under the Authorization and are expected to be the final series of general obligation bonds issued under the Authorization.

The City of Santa Rosa High School District 2021 General Obligation Refunding Bonds (Federally Taxable) (the “Refunding Bonds” and, together with the Series E Bonds, the “Bonds”) are being issued by the District to (i) refund, on an advance basis, a portion of the District’s outstanding 2013 General Obligation Refunding Bonds and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption “PLAN OF FINANCE – The Refunding.” The Series E Bonds and the Refunding Bonds are issued on a parity basis with each other and with all other outstanding general obligation bonds of the District.

The Bonds are general obligations of the District only and are not obligations of the County of Sonoma (the “County”), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2021. See “THE BONDS” herein.

The Bonds will be issued in book-entry form only, in denominations of \$5,000 or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry Only System.”

The Series E Bonds are subject to redemption prior to maturity as described herein. The Refunding Bonds are not subject to redemption prior to maturity. See “THE BONDS – Redemption” herein.

The District has applied for a policy of insurance to guarantee the scheduled payment of principal of and interest on the Bonds under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds.

MATURITY SCHEDULE
On Inside Cover

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriters subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the issue. Certain matters will be passed upon for the Underwriters by their counsel, Kronick Moskowitz Tiedemann & Girard, a Professional Corporation, Sacramento, California. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about June 3, 2021.

RAYMOND JAMES LOGO**RBC CAPITAL MARKETS LOGO**

The Date of this Official Statement is _____, 2021.

* Preliminary; subject to change.

MATURITY SCHEDULES

\$ _____ *

**City of Santa Rosa High School District
(Sonoma County, California)
General Obligation Bonds,
2014 Election, 2021 Series E**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹ (802598)</u>
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\$ _____ % Term Bonds due August 1, 20__; Yield _____ CUSIP 802598

\$ _____ *

**City of Santa Rosa High School District
(Sonoma County, California)
2021 General Obligation Refunding Bonds
(Federally Taxable)**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹ (802598)</u>
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* Preliminary; subject to change.

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CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
Sonoma County, State of California

Board of Education

Laurie Fong, *President*
Jill McCormick, *Vice-President*
Ever Flores, *Clerk*
Alegria De La Cruz, *Director*
Stephanie Manieri, *Director*
Omar Medina, *Director*
Ed Sheffield, *Director*

District Administrators

Diann Kitamura¹, *Superintendent*
Rick Edson, *Deputy Superintendent, Business Services*
Anna-Maria Guzman, Ed.D., *Assistant Superintendent, Teaching & Learning*
Anna Trunnell¹, *Assistant Superintendent, Human Resources*
Steve Mizera, *Assistant Superintendent, Student & Family Services*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Financial Advisor

Isom Advisors, a Division of Urban Futures Incorporated
Walnut Creek, California

Paying Agent, Transfer Agent, Registration Agent and Escrow Agent

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

¹ Diann Kitamura has announced her retirement as of June 30, 2021. [Anna Trunnell, the Assistant Superintendent, Human Resources of the District has been appointed by the Board as the new Superintendent effective July 1, 2021.]

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

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. Although certain information set forth in this Official Statement has been provided by the County of Sonoma, the County of Sonoma has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "SONOMA COUNTY POOLED INVESTMENT FUND" herein and "APPENDIX – G SONOMA COUNTY STATEMENT OF INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT" hereto.

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

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

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

\$42,835,000*
CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
(Sonoma County, California)
GENERAL OBLIGATION BONDS,
2014 ELECTION, 2021 SERIES E

\$_____*
CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
(Sonoma County, California)
2021 GENERAL OBLIGATION REFUNDING BONDS
(Federally Taxable)

INTRODUCTION

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

The City of Santa Rosa High School District (the “District”) proposes to issue \$42,835,000* aggregate principal amount of its General Obligation Bonds, 2014 Election, 2021 Series E (the “Series E Bonds”) under and pursuant to a bond authorization (the “Authorization”) for the issuance and sale of not more than \$54,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at a general election held on November 4, 2014 (the “Election”). The Series E Bonds are the sixth series of general obligation bonds issued under the Authorization and are expected to be the final series of general obligation bonds issued under the Authorization. Subsequent to the issuance of the Series E Bonds, no further general obligation bonds will remain for issuance pursuant to the Authorization.*

Proceeds from the sale of the Series E Bonds will be used to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith. See “PLAN OF FINANCE – The Projects” herein.

The District also proposes to issue \$_____* aggregate principal amount of its 2021 General Obligation Refunding Bonds (Federally Taxable) (the “Refunding Bonds” and together with the Series E Bonds, the “Bonds”) in order to (i) refund its 2013 General Obligation Refunding Bonds (the “2013 Refunding Bonds”) maturing on August 1, 2023 through August 1, 2030*, inclusive, (the “Refunded Bonds”) and (ii) pay all legal, financial and contingent costs in connection with the issuance of the Refunding Bonds. See “PLAN OF FINANCE – The Refunding” herein. The 2013 Refunding Bonds were issued to refund (i) the District’s 2003 General Obligation Refunding Bonds, (ii) the District’s 2004 General Obligation Refunding Bonds, (iii) a portion of the District’s Election of 2002 General Obligation Bonds, Series 2004 and (iv) a portion of the District’s Election of 2002 General Obligation Bonds, Series 2005.

The Bonds are issued on a parity basis with each other and all outstanding general obligation bonds of the District.

Registration

The Bank of New York Mellon Trust Company, N.A. will act as the initial registrar, transfer agent and paying agent for the Bonds (the “Paying Agent”). As long as The Depository Trust Company, New York, New York (“DTC”) is the registered owner of the Bonds and DTC’s book entry-method is

* Preliminary; subject to change.

used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. See “THE BONDS – Description of the Bonds” herein.

The District

The District, together with the City of Santa Rosa Elementary School District (the “Elementary School District”), operates as Santa Rosa City Schools. Pursuant to Section 35110 *et seq.* of the Education Code of the State of California (the “State”), on April 26, 1983, the Board of Education of the District (the “Board”) adopted Resolution No. E-349 which deemed the District and the Elementary School District to be a single school district for all purposes, including, but not limited to, budget and personnel matters, and the governing board of the District and the governing board of the Elementary School District, together, to be the governing board of a single school district. Each of the District and the Elementary School District, however, continue to hold title to property in their own name and any indebtedness for such property also remains the indebtedness of each separate district. The District and the Elementary School District incur bonded indebtedness as separate school districts.

The District is located in the northern San Francisco Bay Area in Sonoma County (the “County”) approximately 50 miles north of San Francisco and 85 miles northwest of Sacramento and consists primarily of the City of Santa Rosa (the “City”) and unincorporated portions of the County. The District provides seventh and eighth grade education services in 5 middle schools and ninth through 12th grade education services in six high schools as well as sixth through 12th grade in one virtual learning environment. In addition, the District includes two continuation schools. The Elementary School District, as well as eight distinct elementary districts, feed students into the District. The average daily attendance (“ADA”) for Santa Rosa City Schools for fiscal year 2020-21 is 13,409 students, and the District has a 2020-21 total assessed valuation of \$35,171,011,841. The audited financial statements for Santa Rosa City Schools for the fiscal year ended June 30, 2020 are attached hereto as APPENDIX C. For further information concerning the District, see the caption “CITY OF SANTA ROSA HIGH SCHOOL DISTRICT” herein.

Additionally, for information regarding the impact of the Coronavirus Disease 2019 (“COVID-19”) pandemic on i) the security and sources of repayment of the Bonds, see “SECURITY FOR THE BONDS – Assessed Valuations” and ii) Santa Rosa City Schools’ finances and revenues, see “DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact” and “-Effect of COVID-19 Response on California School Districts” herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and interest on the Bonds when due. See “SECURITY FOR THE BONDS” and “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See “THE BONDS – Continuing Disclosure Agreement,” “CONTINUING DISCLOSURE” herein and APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT hereto.

Professionals Involved in the Offering

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas is acting as registrar, transfer agent and paying agent for the Bonds and as escrow agent for the Refunded Bonds. Isom Advisors, a division of Urban Futures, Incorporated, Walnut Creek, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds. Dannis Woliver Kelley, The Bank of New York Mellon Trust Company, N.A. and Isom Advisors, a division of Urban Futures, Incorporated will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District and Santa Rosa City Schools herein. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about June 3, 2021.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Series E Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the Government Code of the State of California (the “Government Code”) (commencing with Section 53506) and pursuant to a resolution of the Board of Education of the District adopted on ____, 2021 (the “Series E Resolution”).

The Refunding Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Articles 9 and 11 of the Government Code (commencing with Section 53550) and pursuant to a resolution of the Board of Education of the District adopted on ____, 2021 (the “Refunding Resolution” and together with the Series E Resolution, the “Resolutions”).

Purpose of Issue

The net proceeds of the Series E Bonds will be used to finance certain capital improvements for the District as specified in the bond proposition submitted at the Election, which includes improving high school educational quality and student safety by upgrading classrooms and science labs, replacing deteriorating and outdated plumbing, heating, ventilation and air-conditioning systems, providing updated 21st century classroom technology, and acquiring, renovating or constructing classrooms, equipment, sites and facilities. See ““PLAN OF FINANCE – The Projects” herein.

The net proceeds of the Refunding Bonds will be applied to refund the Refunded Bonds. See “PLAN OF FINANCE – The Refunding” herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of \$5,000 principal amount or integral multiples thereof.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in denominations of \$5,000 principal amount or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book entry system, see APPENDIX F hereto.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or by wire transfer of same day funds by The Bank of New York Mellon Trust Company N.A., as Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “APPENDIX F – BOOK-ENTRY ONLY SYSTEM” herein.

Payment of the Bonds

Interest on the Bonds is payable commencing August 1, 2021, and semiannually thereafter on February 1 and August 1 of each year (each, an “Interest Payment Date”) until maturity. The Bonds shall be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the “Record Date”). Interest will be payable from the Interest Payment Date next preceding the date of

registration thereof, unless (i) it is registered prior to the close of business on July 15, 2021, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption*

Optional Redemption

The Series E Bonds maturing on and prior to August 1, 20__, are not subject to redemption prior to their stated maturity date. The Series E Bonds maturing on and after August 1, 20__, are subject to redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after August 1, 20__ (in inverse order of maturity and by lot with a maturity), from any source lawfully available therefor, at a redemption price equal to the principal amount of the Series E Bonds called for redemption, together with accrued interest to the date fixed for redemption without premium.

The Refunding Bonds are not subject to redemption prior to their stated maturity dates.

Mandatory Redemption

The Series E Bonds maturing August 1, 20__ are subject to mandatory sinking fund redemption on August 1 of each Mandatory Sinking Fund Payment Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
_____	_____

(1) Maturity.

In the event that a portion of the Series E Bonds maturing on August 1, 20__ is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount of such Series E Bonds optionally redeemed.

* Preliminary; subject to change.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Series E Bonds and less than all of the Series E Bonds are called for redemption, such Series E Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District, and if less than all of the Series E Bonds of any given maturity are called for redemption, the portions of such Series E Bonds of a given maturity to be redeemed shall be determined by lot.

Notice of Redemption

Notice of any redemption of the Series E Bonds shall be mailed by the Paying Agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the Continuing Disclosure Agreement. Each notice of redemption shall state (i) the date of such notice; (ii) the name of the Series E Bonds and the date of issue of the Series E Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series E Bonds to be redeemed; (vi) in the case of Series E Bonds redeemed in part only, the respective portions of the principal amount of the Series E Bonds of each maturity to be redeemed; (vii) the CUSIP number, if any, of each Series E Bond to be redeemed; (viii) a statement that such Series E Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (viii) notice that further interest on such Series E Bonds will not accrue after the designated redemption date; and (ix) 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 of Redemption

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

Right to Rescind Notice of Redemption

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 Series E Bonds so called for redemption. Any optional redemption and notice thereof shall 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 of and interest and any premium due on the Series E Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series E Bond of notice of such rescission shall 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.

Transfer and Exchange

If the Bonds are no longer in book-entry-only form, any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance

If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Interest and Sinking Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) in the form of APPENDIX D hereto, on or prior to the delivery of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. See “CONTINUING DISCLOSURE” herein and APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT hereto.

SOURCES AND USES OF FUNDS

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

<i>Sources of Funds</i>	<u>Series E Bonds</u>	<u>Refunding Bonds</u>	<u>Total</u>
Principal Amount of Bonds			
Net Original Issue Premium			
Total Sources			
<i>Uses of Funds</i>			
Deposit to Building Fund			
Deposit to Escrow Fund			
Deposit to Interest and Sinking Fund			
Costs of Issuance ⁽¹⁾			
Total Uses			

⁽¹⁾ Includes Underwriters' discount, Bond and Disclosure Counsel fees, financial advisory fees, paying agent and escrow agent fees, rating agency fees, municipal bond insurance premium, if any, and other costs of issuance.

District Investments

The Sonoma County Auditor-Controller-Treasurer-Tax Collector (the "Treasurer") manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's pooled investment fund (the "Pooled Investment Fund").

The composition and value of investments under management in the Pooled Investment Fund vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally. For a further discussion of the Pooled Investment Fund, see the caption "THE SONOMA COUNTY POOLED INVESTMENT FUND" herein.

Application of Proceeds

The net proceeds from the sale of the Series E Bonds (other than premium) shall be paid to the County to the credit of the City of Santa Rosa High School District Building Fund (the "Building Fund") established pursuant to the Series E Resolution and shall be disbursed for the payment of the costs of acquiring and constructing the Projects (as described below). Any premium or accrued interest received by the District from the sale of the Series E Bonds will be deposited in the Interest and Sinking Fund. Earnings on the investment of moneys in either the Building Fund or the Interest and Sinking Fund will be retained in the respective fund and used only for the purposes to which the respective fund may lawfully be applied. Moneys in the Interest and Sinking Fund may only be applied to make payments of principal of and interest, and premium, if any, on bonds of the District. All funds held in the Building Fund and the Interest and Sinking Fund will be invested by the County Treasurer.

The net proceeds from the sale of the Refunding Bonds will be paid to the Escrow Agent for deposit to the escrow fund established pursuant to that certain Escrow and Deposit Agreement, dated as of June 1, 2021, by and between the District and the Escrow Agent (the "Escrow Agreement").

DEBT SERVICE SCHEDULES

The first of the following two tables summarizes the principal and interest payments on the Bonds. The second table shows the annual debt service payments on all of the District's outstanding general obligation bonds, comprising the 2013 General Obligation Refunding Bonds (the "2013 Refunding Bonds"), the 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds"), the 2017 General Obligation Refunding Bonds (the "2017 Refunding Bonds"), the General Obligation Bonds, 2014 Election 2016 Series B (collectively, the Series B Bonds"), the General Obligation Bonds, 2014 Election, 2016 Series C, (the "Series C Bonds") and the Bonds.

DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Series E Bonds		Refunding Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
Total					

DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

Period Ending August 1	2013 Refunding Bonds ⁽¹⁾	2015 Refunding Bonds ⁽²⁾	2017 Refunding Bonds	Series B Bonds	Series C Bonds	Series E Bonds	Refunding Bonds	Total Debt Service
2021	\$2,595,750	\$ 3,748,500	\$2,264,800	\$2,080,925	\$3,847,500			
2022	2,588,500	--	2,266,600	2,141,675	2,955,000			
2023	836,250	--	4,016,200	2,203,425	2,955,000			
2024	831,000	--	4,013,600	2,265,925	2,955,000			
2025	834,500	--	4,011,000	2,333,925	2,955,000			
2026	831,250	--	3,998,7500	2,401,925	2,955,000			
2027	831,500	--	2,293,500	2,469,675	4,135,000			
2028	830,000	--	2,299,500	2,541,925	4,251,000			
2029	286,750	--	--	2,618,175	4,373,250			
2030	288,750	--	--	2,692,925	4,501,000			
2031	--	--	--	2,770,925	4,633,500			
2032	--	--	--	2,854,100	4,765,000			
2033	--	--	--	2,935,525	4,905,000			
2034	--	--	--	3,019,975	5,047,500			
2035	--	--	--	3,107,0000	5,196,750			
2036	--	--	--	3,200,500	5,346,750			
2037	--	--	--	3,294,000	5,501,750			
2038	--	--	--	3,392,000	5,660,750			
2039	--	--	--	3,488,750	5,827,750			
2040	--	--	--	3,593,750	6,001,500			
2041	--	--	--	3,696,000	6,175,750			
2042	--	--	--	--	8,424,500			
2043	--	--	--	--	8,673,000			
Total	\$10,754,250	\$3,748,500	\$61,152,700	\$87,066,025	\$112,042,250			

⁽¹⁾ Includes debt service on the Refunded Bonds intended to be refunded with proceeds of the Bonds.

⁽²⁾ Bond year ends May 1 for the 2015 Refunding Bonds.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds.

The District received authorization to issue \$175,000,000 principal amount of general obligation bonds pursuant to an election of the qualified electors within the District on November 4, 2014. Subsequent to the issuance of the Series E Bonds, no further general obligation bonds will remain for issuance under the Authorization*. The District is authorized to issue refunding bonds to refund its outstanding general obligation bonds (including general obligation refunding bonds) under the Government Code (commencing with section 53550 thereof).

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer and tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer and tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

Restrictions on use of *Ad Valorem* Taxes and Statutory Lien on Debt Service – Senate Bill 222

Under State law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

Pursuant to Section 53515 of the State Government Code, effective for any bonds issued on and after January 1, 2016, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad*

* Preliminary; subject to change.

valorem property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

Under the Resolutions, the District has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax which the County levies and receives and all interest earnings thereon (the “Pledged Moneys”). The Pledged Moneys shall be used to pay the principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable.

The Bonds are the general obligations of the District, payable solely from Pledged Moneys and do not constitute an obligation of the County except as provided in the Resolution. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District are pledged to payment of the Bonds.

PLAN OF FINANCE

The Projects

The District will apply the net proceeds of the Series E Bonds to finance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond proposition approved at the Election which includes the ballot measure and a project list.

The “Smaller Classes, Safer Schools, and Financial Accountability Act,” a Constitutional amendment known as Proposition 39, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Series E Bonds, which was then submitted to the voters at the Election (the “Project List”). The District will prioritize and may not undertake to complete all components of the Project List.

The Refunding

The District intends to apply the net proceeds of the Refunding Bonds to (i) refund the 2013 Refunding Bonds maturing on August 1, 2023 through August 1, 2030*, inclusive and (ii) pay the costs of issuance of the Refunding Bonds.

Upon the issuance of the Refunding Bonds, the District will deposit the net proceeds of the Refunding Bonds into an Escrow Fund (the “Escrow Fund”) established pursuant to the Escrow and Deposit Agreement, by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”) thereunder, in order to (i) pay interest on the Refunded Bonds coming due on and prior to August 1, 2022 (the “Redemption Date”), and (ii) redeem the Refunded Bonds on the Redemption Date, at a redemption price of the par amount of the Refunded Bonds plus accrued interest.

The sufficiency of amounts deposited into the Escrow Fund, together with investment earnings thereon, to effect the payment and redemption of the Refunded Bonds will be verified by Causey Demgen

* Preliminary; subject to change.

& Moore P.C., certified public accountants (the “Verification Agent”). See the caption “ESCROW VERIFICATION” herein.

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a “floating lien date”). For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situated” growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain

property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES” herein.

The State Constitution currently requires a credit of \$7,000 of the taxable value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. Current law also provides, upon application, a basis exemption of \$100,000 increased by inflation for veterans with specified disabilities or for unmarried spouses of deceased veterans. The exemption may be raised to \$150,000 if the applicant meets the income limit of \$40,000.

In addition, certain classes of property such as cemeteries, free public libraries and museums, public schools, churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following tables presents the historical assessed valuation in the District since fiscal year 2010-11. The District’s total assessed valuation is \$35,171,011,841 for fiscal year 2020-21.

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT Summary of Assessed Valuations Fiscal Years 2010-11 Through 2020-21

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2010-11	\$23,474,101,252	\$2,283,577	\$1,131,625,409	\$24,608,010,238	(3.9)%
2011-12	22,882,437,255	1,923,577	1,089,625,933	23,973,986,765	(2.6)
2012-13	22,718,268,099	1,923,577	1,111,513,520	23,831,705,196	(0.6)
2013-14	23,388,400,678	1,923,577	1,037,793,642	24,428,117,897	2.5
2014-15	25,348,945,024	3,501,256	1,095,036,557	26,447,482,837	8.3
2015-16	27,275,320,841	3,501,256	1,142,580,266	28,421,402,363	7.5
2016-17	28,819,547,452	3,501,256	1,169,606,214	29,992,654,922	5.5
2017-18	30,234,262,858	3,501,256	1,172,525,698	31,410,289,812	4.7
2018-19	30,307,845,195	3,101,763	1,349,958,532	31,611,840,379	0.6
2019-20	31,953,095,005	3,101,763	1,349,958,532	33,306,155,300	5.4
2020-21	33,689,274,516	3,101,763	1,478,635,562	35,171,011,841	5.6

Source: *California Municipal Statistics, Inc.*

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified

education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See “SECURITY FOR THE BONDS.”

Natural Disasters Impacting Assessed Valuations

Recent Wildfires in Sonoma County. In recent years, certain portions of the State, including the District, have been affected by large wildfires which have destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas.

In October, 2017, the Tubbs Fire broke out in rural Napa county and spread to the County including area in the District and the Elementary School District. According to the California Department of Forestry and Fire Protection (“Cal Fire”), the Tubbs Fire burned 36,807 acres for 123 days. The Tubbs Fire destroyed 5,636 structures and killed 22 people. A large portion of the structures destroyed were homes and businesses in the City.

As a result of the Tubbs Fire, Santa Rosa City Schools closed all of its schools on October 9, 2017. A portion of the schools were re-opened on October 27, 2017 with the balance re-opening on October 30, 2017. Two Santa Rosa City Schools’ properties were destroyed by the wildfires; Hidden Valley Elementary School Satellite campus (owned by the Elementary School District) and Santa Rosa High School’s Farm on Alba Lane (owned by the District). 817 students and 80 employees of Santa Rosa City Schools lost their homes in the fires.

In September, 2020, the Glass Fires, a complex of fires broke out in neighboring Napa County and spread to the County. According to Cal Fire, the Glass Fire burned for 23 days over 67,484 acres and destroyed 1,555 structures and damaged 282 structures. All of the District and High School District schools closed for one day due to evacuation orders within the City. The Glass Fire did not cause any damage within the District.

Change in Economic Conditions. The recent outbreak of COVID-19 and the corresponding measures to prevent its spread have caused widespread unemployment and economic slow-down in the United States, the State and the County. Such economic slow-down may lead to an economic recession or depression and a general market decline in real estate values. Such a decline may cause a reduction of assessed values in the District. See DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact” for more information regarding the impact of COVID-19.

Historic California Drought Conditions. Water shortfalls resulting from the driest conditions in recorded State history caused a State-wide Drought State of Emergency for California in 2014 and the imposition by State regulators of reductions in water usage through 2017 when the State-wide drought ended in almost all California Counties. According to the U.S. Drought Monitor, as of January 2021, parts of California are currently experiencing abnormally dry or drought conditions. The District cannot predict if or when water usage restrictions might be imposed again or what impact such restrictions, if imposed, might have on the assessed valuation of the District.

Earthquakes. Seismic activity is also a risk in the region where the District is located. The Rodgers Creek fault runs beneath the City. The 2014 Working Group on Earthquake Probabilities estimated that there is a 33% chance of a 6.7 magnitude or greater earthquake on the Rodgers Creek-Hayward fault system between 2014 and 2043.

The District cannot make any representation regarding the effects that the drought, change in economic conditions, caused by pandemic or otherwise, fire conditions or earthquakes has had, or may have on the value of taxable property within the District, or to what extent such conditions could cause disruptions to agricultural production, destroy property, reduce land values and adversely impact other economic activity within the boundaries of the District.

Re-assessments and Appeals of Assessed Valuations

Pursuant to California Proposition 8 of November 1978 (“Proposition 8”), property owners may apply for a reduction of their property tax assessment by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, an appeal is filed because the applicant believes that present market conditions (such as lower residential home sale 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. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California 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.

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the county, as occurred between 2009 and 2011) and may temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIII A (currently, a 2% annual maximum) until such assessed value again equals the Article XIII A base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIII A and base year values may not be increased by more than the standard Article XIII A annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIII A base year value for such property. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California Constitution” herein.

No assurance can be given that property tax appeals and reassessments in the future will not significantly reduce the assessed valuation of property within the District.

Reassessments after the Tubbs Fire. Subsequent to the Tubbs Fire, under Revenue and Taxation Code section 170, each parcel of property within the District sustaining damage of at least \$10,000 was reassessed to reflect its value after the damage from the Camp Fire for the period from October 8, 2017 through June 30, 2018 for purposes of the 2017-18 assessment roll. New property tax statements were provided to property owners reflecting the reassessed value. Property owners that had already paid any portion of the 2017-18 property tax received a credit on their new property tax bill and a refund of the amount over the revised property tax statement amount. Additionally, penalties were waived for payments of the first installment payments received by April 10, 2018 for taxpayers who experienced evacuation or loss of employment as a result of the Tubbs Fire. Reassessments resulting from the Tubbs Fire did not cause the total assessed valuation in the District to decrease, however assessed valuation only increased by approximately 0.6% between 2017-18 to 2018-19, which is a much lower rate than in previous years or the subsequent year. See “Assessed Valuations” above.

Property owners whose property was substantially damaged or destroyed by the Tubbs Fire (physical damage amounting to more than 50% of the full cash value of the property prior to the damage) are also permitted to transfer the base year value of the damaged property to a replacement property within the County within five years of the Tubbs Fire. Accordingly, after re-building, damaged properties will not be re-assessed to their current market value but will have their pre-Tubbs Fire assessed value restored. The District can make no prediction or estimate as to what impact reassessments resulting from re-construction will have on assessed values in the District or when or if such re-assessments will fully restore the pre-Tubbs Fire assessed value within the District.

As fire-damaged properties are repaired or re-built, the newly-built improvements will be re-assessed and assessed values will increase in the District. The District is not able, however, to give any assurances as to when or to what extent such repairs and re-building will commence or occur.

The State has agreed to pay to Santa Rosa City Schools the difference in the 1% general County-wide assessment resulting from the lower assessed value from the wildfires and that which would have been payable based on the pre-wildfire assessed value. The State did not reimburse the District for the difference in the general obligation bond tax levy but the County had sufficient reserves on hand in the District’s debt service fund to pay debt service due on the District’s outstanding general obligation bonds during fiscal year 2017-18.

Assessed Valuation by Jurisdiction

The table below sets forth the assessed valuation within the District by political jurisdiction.

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT 2020-21 Assessed Valuation by Jurisdiction

<u>Jurisdiction:</u>	Assessed Valuation <u>in District</u>	% of <u>District</u>	Assessed Valuation <u>of Jurisdiction</u>	% of Jurisdiction <u>in District</u>
City of Rohnert Park	\$ 188,882,835	0.54%	\$6,167,809,823	3.06%
City of Santa Rosa	26,795,152,312	76.19	26,795,324,651	100.00
Town of Windsor	186,403,239	0.53	4,587,544,010	4.06
Unincorporated Sonoma County	<u>8,000,573,455</u>	<u>22.75</u>	40,090,131,136	19.96
Total District	\$35,171,011,841	100.00%		
Sonoma County	\$35,171,011,841	100.00%	\$99,119,807,601	35.48%

Source: *California Municipal Statistics, Inc.*

The table below sets forth the assessed valuation of the taxable property within the District by land use.

**CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
2020-21 Assessed Valuation and Parcels by Land Use**

	2020-21 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
<u>Non-Residential:</u>				
Agricultural	\$1,013,455,451	3.01%	1,226	1.77%
Commercial	3,289,812,713	9.77	2,004	2.89
Vacant Commercial	231,416,989	0.69	295	0.42
Industrial	2,063,275,873	6.12	818	1.18
Vacant Industrial	94,597,010	0.28	132	0.19
Recreational	106,147,258	0.32	91	0.13
Government/Social/Institutional	568,038,321	1.69	419	0.60
Miscellaneous	<u>59,807,579</u>	<u>0.18</u>	<u>382</u>	<u>0.55</u>
Subtotal Non-Residential	\$7,426,551,194	22.04%	5,367	7.73%
<u>Residential:</u>				
Single Family Residence	\$19,700,446,163	58.48%	44,598	64.21%
Condominium/Townhouse	1,674,193,113	4.97	6,279	9.04
Mobile Home	185,646,511	0.55	2,672	3.85
Mobile Home Park	103,381,672	0.31	35	0.05
Hotel/Motel	291,154,940	0.86	51	0.07
2-4 Residential Units	1,606,251,259	4.77	3,464	4.99
5+ Residential Units/Apartments	1,640,967,492	4.87	517	0.74
Vacant Residential	<u>1,060,682,172</u>	<u>3.15</u>	<u>6,476</u>	<u>9.32</u>
Subtotal Residential	\$26,262,723,322	77.96%	64,092	92.27%
Total	\$33,689,274,516	100.00%	69,459	100.00%

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

Assessed Valuation of Single Family Homes

The following table sets forth ranges of assessed valuations of single family homes in the District for fiscal year 2020-21, including the median and average assessed value per single family parcel.

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT Per Parcel 2020-21 Assessed Valuation of Single Family Homes

	No. of <u>Parcels</u>	2020-21 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	44,598	\$19,700,446,163	\$441,734	\$398,651

2020-21 <u>Assessed Valuation</u>	No. of <u>Parcels⁽¹⁾</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$49,999	514	1.153%	1.153%	\$ 18,898,296	0.096%	0.096%
\$50,000 - \$99,999	2,509	5.626	6.778	190,091,556	0.965	1.061
\$100,000 - \$149,999	2,021	4.532	11.310	251,208,995	1.275	2.336
\$150,000 - \$199,999	2,579	5.783	17.093	452,347,698	2.296	4.632
\$200,000 - \$249,999	3,420	7.669	24.761	775,911,621	3.939	8.571
\$250,000 - \$299,999	3,983	8.931	33.692	1,094,241,115	5.554	14.125
\$300,000 - \$349,999	3,748	8.404	42.096	1,217,036,007	6.178	20.303
\$350,000 - \$399,999	3,594	8.059	50.155	1,347,374,413	6.839	27.142
\$400,000 - \$449,999	3,592	8.054	58.209	1,525,009,032	7.741	34.883
\$450,000 - \$499,999	3,630	8.139	66.348	1,723,821,019	8.750	43.633
\$500,000 - \$549,999	3,199	7.173	73.521	1,676,620,249	8.511	52.144
\$550,000 - \$599,999	2,693	6.038	79.560	1,543,031,063	7.832	59.976
\$600,000 - \$649,999	2,075	4.653	84.212	1,293,314,535	6.565	66.541
\$650,000 - \$699,999	1,482	3.323	87.535	997,372,866	5.063	71.604
\$700,000 - \$749,999	1,123	2.518	90.053	811,146,129	4.117	75.721
\$750,000 - \$799,999	798	1.789	91.843	617,525,272	3.135	78.856
\$800,000 - \$849,999	631	1.415	93.258	519,968,630	2.639	81.495
\$850,000 - \$899,999	527	1.182	94.439	460,873,341	2.339	83.835
\$900,000 - \$949,999	438	0.982	95.421	404,829,411	2.055	85.890
\$950,000 - \$999,999	316	0.709	96.130	307,164,034	1.559	87.449
\$1,000,000-and greater	<u>1,726</u>	<u>3.870</u>	100.000	<u>2,472,660,881</u>	<u>12.551</u>	100.000
	44,598	100.000%		\$19,700,446,163	100.000%	

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

Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2020-21.

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT 2020-21 Largest Total Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>Total⁽¹⁾</u>
1.	Keysight Technologies Inc.	Industrial	\$ 303,131,501	0.90%
2.	Behringer Harvard Santa Rosa LP	Apartments	89,269,469	0.26
3.	Varena LLC	Assisted Living Facility	87,580,129	0.26
4.	EMI Santa Rosa LP	Shopping Center	84,714,263	0.25
5.	Jackson Family Investments III LLC	Winery	82,056,526	0.24
6.	Sonoma-Cutrer Vineyards Inc.	Winery	73,784,935	0.22
7.	Coddington LLC	Shopping Center	67,244,556	0.20
8.	Apple Creek Apartments California LLC	Apartments	63,487,035	0.19
9.	Airport Business Center	Office Building	60,241,390	0.18
10.	THI VI Sonoma LLC	Hotel	58,824,154	0.17
11.	Tohigh Investment SF LLC	Commercial	52,130,080	0.15
12.	OSL Santa Rosa Fountaingrove LLC	Assisted Living Facility	51,950,521	0.15
13.	Kendall-Jackson Wine Estates	Winery	51,746,111	0.15
14.	Vineyard Creek LP	Apartments	51,694,569	0.15
15.	Donahue Schriber Realty Group	Shopping Center	50,608,359	0.15
16.	AG-GR Vineyard Owner LP	Apartments	50,233,029	0.15
17.	FIT REN Paulin Creek LP	Assisted Living Facility	47,532,369	0.14
18.	Bridge-Sonoma Ridge LLC	Apartments	47,324,592	0.14
19.	SR Stoney Point LLC	Office Building	46,587,026	0.14
20.	MDR-TFTP LLC	Apartments	<u>45,886,914</u>	<u>0.14</u>
			\$1,466,027,528	4.35%

⁽¹⁾ 2020-21 local secured assessed valuation: \$33,689,274,516.

Source: *California Municipal Statistics, Inc.*

The top 20 taxpayers on the secured roll for 2020-21 account for 0.90% of the secured assessed value in the District which is \$33,689,274,516. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2020-21 was Keysight Technologies Inc., accounting for 0.90% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 0.26% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

Tax Rates

The following table sets forth tax rates levied in Tax Rate Area 4-009 located within the District for fiscal years 2016-17 through 2020-21.

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT Typical Tax Rate per \$100 Assessed Valuation (TRA 4-009)⁽¹⁾

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
General	1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Warm Springs Dam-Russian River Project	.0070	.0070	.0070	.0070	.0070
Santa Rosa Elementary School District	.0495	.0470	.0430	.0390	.0350
Santa Rosa High School District	.0710	.0590	.0620	.0485	.0360
Sonoma Joint Community College District	<u>.0400</u>	<u>.0370</u>	<u>.0360</u>	<u>.0370</u>	<u>.0370</u>
Total Tax Rate	\$1.1675	\$1.1500	\$1.1480	\$1.3150	\$1.1150

⁽¹⁾ 2020-2021 assessed valuation of TRA 4-009 is \$5,413,468,420 which is 15.39% of the District's total assessed valuation.

Source: *California Municipal Statistics, Inc.*

The Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied on the secured roll with respect to the Bonds irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County.

Direct and Overlapping Debt

Numerous local agencies that provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the District's direct and estimated overlapping bonded debt as of May, 2021:

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness

2020-21 Assessed Valuation: \$35,171,011,841

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/21</u>
Sonoma County Joint Community College District	35.208%	\$125,412,656
Santa Rosa High School District	100.	124,110,000⁽¹⁾
Bellevue Union School District	100.	39,908,052
Bennett Valley Unified School District	100.	10,016,117
Mark West Union School District	100.	11,279,758
Piner-Olivet School District	100.	14,486,690
Rincon Valley Union School District	100.	44,717,711
Roseland School District	100.	9,959,673
Santa Rosa School District	100.	35,310,000
Wright School District	100.	14,717,659
Sonoma Valley Healthcare District	0.020	5,305
California Statewide Community Development Authority 1915 Act Bonds	100.	5,805,000
Town of Windsor 1915 Act Bonds	65.270	2,248,552
City of Santa Rosa 1915 Act Bonds	100.	375,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$438,352,173
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Sonoma County General Fund Obligations	35.483%	\$ 3,992,547
Sonoma County Pension Obligation Bonds	35.483	101,726,213
Sonoma County Office of Education Certificates of Participation	35.483	1,246,732
Santa Rosa High School District Certificates of Participation	100.	8,038,372
Rincon Valley Union School District Certificates of Participation	100.	1,915,374
Roseland School District Certificates of Participation	100.	3,139,758
West County Transportation Agency	100.	4,249,874 ⁽²⁾
Other School District General Fund Obligations	100.	2,100,951
City of Rohnert Park Certificates of Participation	3.062	37,663
City of Santa Rosa Certificates of Participation and Pension Obligation Bonds	99.999	26,644,734
Town of Windsor Authority General Fund Obligations	4.063	72,525
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$153,164,743
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	2.292-100.%	\$31,030,026
 COMBINED TOTAL DEBT		\$622,546,942 ⁽³⁾

Ratios to 2020-21 Assessed Valuation:

DIRECT DEBT (\$124,110,000).....0.35%

Total Direct and Overlapping Tax and Assessment Debt1.25%

Combined Direct Debt (\$132,148,372)0.38%

Combined Total Debt.....1.77%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$2,008,527,814):

Total Overlapping Tax Increment Debt1.54%

(1) Excludes the Bonds to be sold hereunder and the Refunded Bonds.

(2) West County Transportation Agency 2017 Bonds (Transportation Facility Project). Santa Rosa City Schools has agreed to make certain payments to the Transportation Agency. The Transportation Agency has pledged these payments to repay the bonds.

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

Source: *California Municipal Statistics, Inc.*

FINANCIAL INFORMATION FOR SANTA ROSA CITY SCHOOLS

The information in this section concerning the operations of Santa Rosa City Schools and the District and Santa Rosa City Schools' (including the District's) finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and interest on the Bonds is payable from the general fund of Santa Rosa City Schools. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula ("LCFF") is being implemented in stages, beginning in fiscal year 2013-14 and will be fully implemented in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system described below.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as a part of the 2013-14 State Budget (defined below) enacted the LCFF beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. See "-Revenue Limit Funding System" below. The LCFF distributes resources to schools through a guaranteed base funding grant (the "Base Grant") per unit of ADA. The average Base Grant is \$7,643 per unit of ADA, which is \$2,375 more than the average revenue limit. A Base Grant is assigned to each of four grade spans. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

For fiscal year 2020-21, the LCFF provided to school districts and charter schools a Target Base Grant for each Local Education Agency ("LEA") equivalent to (a) \$8,503 per ADA for kindergarten through grade 3; (b) \$7,818 per ADA for grades 4 through 6; (c) \$8,050 per ADA for grades 7 and 8; and (d) \$9,572 per ADA for grades 9 through 12.

Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of cost-of-living-adjustments is now subject to appropriation for such adjustment in the annual State budget. For fiscal year 2020-21, no cost-of-living-adjustment ("COLA") is included in LCFF funding as a result of the decrease in State revenues budgeted due to the COVID-19 pandemic's impact on the State economy. See "State Budget Measures – Proposed 2021-22 State Budget" herein for a discussion of the proposal to backfill the Fiscal Year 2020-21 COLA in fiscal year 2021-22. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

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

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

The following table sets forth the historical ADA and enrollment for Santa Rosa City Schools for fiscal years 2010-11 through 2019-20.

SANTA ROSA CITY SCHOOLS
Historical ADA and Enrollment¹
Fiscal Years 2010-11 through 2019-20

<u>Fiscal Year</u>	<u>ADA</u>	<u>Enrollment</u>
2010-11	15,150	16,270
2011-12	15,145	16,117
2012-13	15,144	16,229
2013-14	15,507	16,403
2014-15	15,653	16,595
2015-16	15,686	15,679
2016-17	15,579	16,556
2017-18	15,410	16,434
2018-19	15,107	16,105 ¹
2019-20	14,919	15,967

¹ Decrease in enrollment of 329 students is due to impact of Tubbs Fire. See “TAX BASE FOR REPAYMENT OF THE BONDS - Natural Disasters Impacting Assessed Valuations” herein.
Source: *Santa Rosa City Schools*.

The following table sets forth the ADA by grade span, enrollment and the percentage of EL/LI enrollment for Santa Rosa City Schools for fiscal years 2019-20 and 2020-21 with projections for fiscal years 2021-22 and 2022-23.

SANTA ROSA CITY SCHOOLS
ADA, English Language/Low Income Enrollment
Fiscal Years 2019-20 through 2022-23

Fiscal Year	ADA				Enrollment	
	K-3	4-6	7-8	9-12	Total Enrollment	% of EL/LI Enrollment
2019-20	2,638	2,075	2,905	7,301	15,967	49%
2020-21 ¹	2,638	2,075	2,923	7,301	15,511	53
2021-22 ²	2,560	1,947	2,804	7,319	15,577	52
2022-23 ²	2,560	1,947	2,804	7,319	15,577	52

¹Based on California Department of Education (Dataquest).

² Projected.

Source: *Santa Rosa City Schools*.

Due to the COVID-19 pandemic and related State budget-implementing legislation, California school districts, other than certain charter school districts, are held harmless against any loss of ADA for purposes of calculating apportionment in the 2020-21 fiscal year, with ADA for purposes of calculation of state funding based on ADA for fiscal year 2019-20. See, “STATE FUNDING OF EDUCATION – State Budget.”

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

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

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school district can use supplemental or concentration funding on a school-wide or district-wide basis.

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

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

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

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

Revenue Sources

The District categorizes its general fund revenues into four sources; LCFF revenues, federal revenues, other state revenues and other local revenues. Each of these revenue sources is briefly described below.

LCFF Sources. State funding under the LCFF consists of Base Grants and supplemental grants as described above. This category also includes local property taxes. See “- State Funding of Education – Local Control Funding Formula” above.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Child Succeeds.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, instructional materials, and various block grants.

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

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, interagency services and other local sources.

The percentage of total general fund revenue for each source of revenue is shown in the following table.

SANTA ROSA CITY SCHOOLS
Percentage of Revenue by Source

Revenue Source	2017-18	2018-19	2019-20	2020-21 ⁽¹⁾
LCFF sources	77.98%	75.63%	79.43%	74.74%
Federal revenues	4.70	5.12	4.38	11.27
Other State revenues	8.86	12.51	9.55	8.08
Other local revenues	8.47	6.74	6.63	5.92

⁽¹⁾ Based on Second Interim Financial results.
Source: *Santa Rosa City Schools*.

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees collected by the District are \$3.48 per square foot for residential construction and \$0.56 per square foot of commercial/residential construction. The District has a sharing arrangement with the elementary school district located within its boundaries, including the Elementary School District, such that the District keeps 30% of the developers fees collected and shares 30% with the applicable elementary school district.

The following table sets forth developer fee collections by Santa Rosa City Schools for the last five fiscal years and the current collections for fiscal year 2020-21.

SANTA ROSA CITY SCHOOLS
Developer Fee Collections

Fiscal Year	Developer Fees Collected
2015-16	\$881,655.99
2016-17	870,381.53
2017-18	1,593,695.26
2018-19	921,189.78
2019-20	923,902.62
2020-21	1,549,930.32

Source: *Santa Rosa City Schools*.

COVID-19 Outbreak and its Economic Impact

In late 2019, an outbreak of COVID-19, a respiratory virus, occurred in China, and since that time has been spreading globally. The global outbreak, together with measures underway to attempt to limit the spread of COVID-19 imposed by local and federal governments, has caused volatility in financial markets as well as restrictions and closures of many businesses.

On March 13, 2020, responding to the evolving COVID-19 situation, President Trump declared a national emergency, making available more than \$50 billion in federal resources to combat the spread of the virus. On March 23, 2020 the Federal Reserve Bank lowered the federal funds rate to between zero and one quarter percent, announced a Treasury security and agency backed-mortgage security buying program and emergency credit and liquidity facilities for financial institutions. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted in order to provide relief and stimulus to American businesses and individuals impacted by COVID-19. The CARES Act, in relevant part, (i) created a \$349 billion loan program for small businesses, (ii) provided a payment of \$1,200 to each American earning \$75,000 a year or less (\$150,000 for couples filing jointly) and \$500 for each child, (iii) expanded eligibility for unemployment and increased benefits by \$600 per week for up to four months, (iv) designated \$339.8 billion for state and local governments with \$274 billion for COVID-19 response efforts as well as an additional \$13 billion for K-12 schools, (v) allocated \$500 billion in loans and investments to businesses, including \$58 billion to the airline industry, (vi) allocated \$100 billion to hospitals and health providers and increased Medicare reimbursements for treating coronavirus and (vii) delayed federal student loan payments until September 2020.

In response to the outbreak of COVID-19 in the State, on March 4, 2020, Governor Gavin Newsom declared a State of Emergency (the “Emergency Declaration”). The Emergency Declaration was intended to make additional resources available, formalize emergency actions underway across multiple State agencies and departments, and assist the State in preparing for the spread of COVID-19.

On March 19, 2020, Governor Newsom issued Executive Order N-33-20, a mandatory statewide shelter-in-place order (the “Order”) applicable to all non-essential services. The Order also set forth a roadmap in four phases for the State for shelter-in-place restrictions. On May 7, 2020, Governor Newsom ordered a gradual movement into “Phase 2” of the roadmap in which lower-risk workplaces may re-open to the public for business in accordance with industry specific safety guidelines.

As a result of an increase in transmission of COVID-19 during the summer months of 2020, on July 13, 2020, the Governor ordered the closing of all bars throughout the State, as well as indoor operations at certain businesses such as live sports events, theme parks, restaurants, movie theaters and museums, which had previously re-opened. In addition, in certain counties listed on the County Monitoring List, which tracks counties that have increases in certain metrics such as disease transmission and hospitalization rate, indoor activity at gyms, cultural centers and personal care services were also ordered closed. In September, 2020, the County Monitoring List was replaced by the “Blueprint for a Safer Economy” which categorizes counties according to a color-coded risk assessment related to certain metrics of disease transmission. As such metrics increase or decrease within a county, such county will move along the risk—assessment levels which correspond with regulations on economic and social activity.

Due to an increase in the case rates and hospitalizations due to COVID-19, on December 3, 2020, the Governor announced a stay-at home order (the “Regional Stay-at-Home Order”) effective December 5, 2020, that was triggered by intensive care unit capacity dropping below 15% in a given region. The Regional Stay-at-Home Order temporarily superseded the Blueprint for a Safer Economy regulations. Once the Regional Stay-at-Home Order was triggered in any region residents in that region were required to stay at home as much as possible and minimize mingling with those outside their household to reduce exposure to COVID-19. The Regional Stay-at-Home Order was triggered in most of the State, including within Santa Rosa City Schools, and lifted in the State on January 25, 2021. The County is now under the [Orange, moderate] tier of the Blueprint for a Safer Economy regulations.

In order to provide extensions to certain benefits previously provided under the CARES Act, as well as address ongoing economic impacts of the COVID-19 Pandemic, on December 27, 2020, the federal government enacted the Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSA”), making consolidated appropriations for the fiscal year ending September 30, 2021 which included \$900 billion of coronavirus emergency response and relief. CRRSA, in relevant part, provides (i) \$54.3 billion for K-12 schools and \$22.7 billion for higher education, (ii) \$10 billion for child care, (iii) \$13 billion for nutrition programs, (iv) \$284 billion to restart the Paycheck Protection Program, (v) \$600 stimulus payments to qualifying individuals and \$600 for dependents, (vi) supplemental weekly federal unemployment benefits of \$300 into mid-March 2021, (vii) \$30 billion for vaccine procurement and distribution, (viii) \$7 billion for expansion of internet access, (ix) a year-long extension, until December 31, 2021, to spend \$150 billion provided under the CARES Act, (x) an extension of eviction protection until January 31, 2021, and (xi) \$25 billion in rental assistance for individuals who lost their sources of income during the pandemic.

On March 11, 2021, President Biden signed a \$1.9 trillion relief package (the “American Rescue Package”) into law, authorizing a third round of one-time payments for qualifying Americans, extending additional unemployment benefits, and providing \$123 billion in new, flexible aid to school districts.

On April 6, 2021, California Department of Public Health (“CDPH”) announced its plans to move beyond the Blueprint for a Safer Economy regulations as of June 15, 2021 conditioned upon i) vaccine supply being sufficient for Californians 16 or older who wish to be inoculated; and ii) hospitalizations due to Covid-19 being stable and low, and specifically, hospitalizations among fully vaccinated individuals being low. Such a move would permit all of the sectors currently regulated under the Blueprint for A Safer Economy to fully re-open economic activity in the State in accordance with applicable Statewide guidelines and limited public health restrictions such as masking, testing and vaccination. Included in the sectors to re-open are schools which would be expected to resume full-time in-person instruction in compliance with certain emergency temporary standards and public health guidelines.

As the transmission rates of COVID-19 increase or decrease corresponding actions may be taken by State and local authorities to increase or decrease social distancing protocols including the closure of certain businesses which might have further negative economic consequences. The District cannot predict the trajectory of the COVID-19 pandemic or future actions that might be taken as a result.

As a result of the various regulations imposed in order to slow the spread of COVID-19 since its outbreak, economic activity within the State, the County and the community around and within the District has been depressed. Generally, a majority of the State's general fund revenue is derived from personal income tax receipts. Given stock market declines in the initial weeks of the pandemic and business closures in response to the COVID-19 outbreak and related shelter in place requirements, income tax and capital gains tax receipts were projected to not be sufficient to fund the State budget for fiscal years 2018-19 and 2019-20 at the levels originally budgeted. Such projected decline in State revenues has impacted State funding of school districts in fiscal year 2020-21, including Santa Rosa City Schools and may continue to impact State funding of school districts, including Santa Rosa City Schools, in the future. However, the Proposed 2021-22 State Budget indicates that the decline in State revenues was not as severe as originally projected. See " – State Budget Measures" below for additional information regarding the impact of COVID-19 on the State budget.

As noted in the table above under the caption "DISTRICT FINANCIAL INFORMATION – Revenue Sources," Santa Rosa City Schools receives the large majority of its revenues from LCFF Sources which are comprised of local property taxes and State moneys. Should the State experience a decline in revenue resulting from the impacts of COVID-19, there may be a resulting decline in revenue available for funding school districts. See "State Budget Measures" below for a discussion of the impacts of COVID-19 on fiscal years 2020-21 and 2021-22 State budgets.

Effect of Covid-19 Response on California School Districts

Santa Rosa City Schools, upon consultation with the County Department of Public Health and County Superintendent of Schools, determined to close its school campuses effective March 23, 2020 through the end of the 2019-20 school year and implemented a distance learning program

On March 13, Governor Newsom issued Executive Order N-26-20, providing that school districts that initiate a school closure to address COVID-19 would continue to receive state funding to support all of the following during the period of closure: (1) continued delivery of high-quality educational opportunities to students through, among other options, distance learning and/or independent study; (2) the provision of school meals in noncongregate settings; (3) arrangement for supervision for students during ordinary school hours; and (4) continued payment of school district employees. Executive Order N-26-20 also provided that statutory mandated maintenance of schools for a minimum of 175 days is waived for school districts that initiate a school closure to address COVID-19.

To address the impacts of school closures and the COVID-19 response, the California legislature adopted and the Governor signed Senate Bill 89 ("SB 89") and Senate Bill 117 ("SB 117"), which bills took immediate effect. SB 89 amended the Budget Act of 2019 by appropriating \$500,000,000 from the State General Fund for any purpose related to the Emergency Declaration. SB 117 addresses economic impacts to school districts directly. Among other things, SB 117 provided that, for all school districts that comply with Executive Order N-26-20, attendance during only full school months from July 1, 2019, to February 29, 2020, inclusive, would be reported for apportionment purposes. SB 117 also held harmless school districts not meeting minimum instructional day and minute requirements, in order to prevent a loss of funding related to school closures due to the outbreak. SB 117 also held harmless grantees operating after-school education and safety programs that were prevented from operating such programs due to COVID-19, and credited such program grantees with the ADA that the grantee would have

received had it been able to operate but for COVID-19. Santa Rosa City Schools is expected to receive approximately \$261,074 under SB 117 as Learning Loss Mitigation Funding under the 2020-21 State Budget.

On July 17, 2020, the CDPH announced guidance for schools and school-based programs including all public, charter and private schools with respect to re-opening for the 2020-21 school year. Schools and school districts may reopen for in-person instruction at any time if they are located in a local health jurisdiction that has not been on the county monitoring list for at least 14 days. If the school district meets this requirement, local health guidelines should then guide and assist in the determination of whether to open for in-person instruction. The State, in August, 2020, subsequently announced its “Blueprint for a Safer Economy” which replaced the county monitoring list system with a color-coded risk assessment for each county.

On January 14, 2021, the CDHP issued new guidance that changed the requirements for school re-openings. Schools which had already re-opened prior to the issuance of such guidance could remain open and were required, by February 1, 2021, to post a Covid-19 Safety Plan to their website or in another publicly accessible manner. As previously, schools located in a county in the three lowest risk tiers under the Blueprint for a Safer Economy may reopen all grades. Schools in a county in the purple highest risk tier that are not already open, may re-open for in-person instruction for grades kindergarten through sixth only if i) the average adjusted case rate in the county is below 25 cases per 100,000 population per day, ii) the testing positivity rate is under 8%, and iii) the school posts a COVID-19 Safety Plan. Schools located in counties in the purple highest risk tier are still prohibited from reopening for in-person instruction for grades seven through twelve.

On March 5, 2021, Governor Newsom signed Assembly Bill 86 which provides \$2.0 billion for In-Person Instruction Grants (“Re-Opening Grants”) and \$4.6 billion for Learning Recovery Grants (“Recovery Grants”) to school districts, county offices of education and charter schools. Re-Opening Grant recipients are required to offer in-person instruction for transitional kindergarten through second grade students and at-risk students in any grade by April 1, 2021. All school districts, including those in the purple tier, are eligible to receive a Re-Opening Grant provided they are able to re-open in accordance with State Guidelines as described above. School districts located in counties not in the purple tier, and those in the purple tier once disease metrics decrease, must reopen all elementary grades and at least one grade in middle school or high school. The Re-Opening Grants may be used for any purpose consistent with in-person instruction and a penalty of 1% of the grant is applied for each instructional day after May 1 that a school district does not re-open through May 15 when the entire grant is forfeited. Recovery Grants are provided to school districts that implement a learning recovery program with 85% of the Recovery Grant to be spent for in-person instruction and 15% to be spent for distance learning or in-person preparation. Santa Rosa City Schools expects to receive \$4,898,077 in Re-Opening Grants and \$10,511,910 in Recovery Grants.

During the fall of 2020 through early 2021, Santa Rosa City Schools, including District schools, remained in a distance learning model of instruction and did not re-open campuses for in-person instruction. On April 1, 2021, Santa Rosa City Schools began offering optional in-person instruction under a hybrid learning model for grades TK-6, as well as special education students and English learners in grades six through 12. As of April 26, 2021, Santa Rosa City Schools’ has begun offering optional in-person instruction to its middle school and high school students under a hybrid learning model.

Santa Rosa City Schools also expects to receive approximately \$12,083,395 in CARES Act funds, \$9,760,455 under CRRSA and \$21,720,436 under the American Rescue Package. Santa Rosa City Schools plans to use additional COVID-19 funding for [additional Para Educator hours, PPE, cleaning

and disinfecting materials and supplies, after school programs, summer school costs, internet connectivity, and additional chromebooks, laptops, and hot spots.]

The District cannot predict the extent or duration of the outbreak of COVID-19 or what impact it may have on general fund revenues. However, the Bonds are general obligations of the District payable solely from *ad valorem* property taxes and are not payable from the general fund of Santa Rosa City Schools. See “SECURITY FOR THE BONDS” herein.

Budget Procedures

State Budgeting Requirements. Santa Rosa City Schools is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing schools districts to use a dual budget adoption cycle. Instead, all school districts must be on a single budget cycle. The single budget is only readopted if it is disapproved by the county office of education, or as needed. Santa Rosa City Schools is on a single budget cycle and adopts its budget on or before July 1.

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 district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 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 August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent’s recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district’s budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a

positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

Santa Rosa City Schools has filed positive certifications for each reporting period in the last five years except for the First Interim Reports and Second Interim Reports for fiscal years 2016-17, 2017-18, and 2019-20 which were filed with qualified certifications.

Beginning in fiscal year 2016-17, increases in expenditures budgeted for 2017-18 and 2018-19, including step and column salary increases and increasing retirement contribution rates, combined with declining enrollment, caused Santa Rosa City Schools to find that it might not be able to meet its financial obligations in the subsequent two fiscal years and to certify its 2016-17 Interim Reports as qualified. The District formed a Fiscal Stabilization Committee which developed potential budget reductions which were subsequently approved by the Board. The budget reductions implemented in fiscal year 2016-17 included maintaining staffing ratios at 28:1 for middle and high school classrooms, various reductions to LCAP services including books and supplies and staffing, reducing transportation costs by outsourcing busing services to a local joint powers authority and reducing certain outside contracts. Such budget reductions were implemented in the 2016-17 Second Interim Report but were not sufficient to permit the District's multi-year projections to show that it would meet its financial obligations.

In connection with the District's 2017-18 First Interim Report, the District included certain non-specific monetary budget solutions with the intent for the Fiscal Stabilization Committee to identify specific solutions for implementation in the 2017-18 Second Interim Report. Subsequent to the announcement of the State's proposed budget for fiscal year 2018-19, the actual budget solutions were identified and approximately \$7.2 million in budgets solutions were approved by the Board as a part of the 2017-18 Second Interim Report. Such reductions were necessary in order for Santa Rosa City Schools to meet its minimum reserve requirements but were insufficient to allow Santa Rosa City Schools to certify that it would meet its financial obligations in 2019-20 and required that the 2017-18 Second Interim Report be filed with a qualified certification.

Included in Santa Rosa City School's adopted budget for fiscal year 2018-19 were unidentified expenditure reductions of approximately \$2.4 million in fiscal year 2019-20 and \$7.6 million in fiscal year 2020-21. Such reductions permitted Santa Rosa City Schools to certify both of its fiscal year 2018-19 interim reports with positive certifications.

In order to maintain a balanced budget, Santa Rosa City Schools' 2019-20 adopted budget recognized the need for additional expenditure reductions of \$4.3 million in fiscal year 2020-21 and \$13.8 million in fiscal year 2021-22 but did not identify specific reductions. Due to increased salary and benefit expenses, declining enrollment and uncertain COLA and one-time revenues, Santa Rosa City Schools projected to deplete its general fund balance in 2021-22 and therefore filed a qualified certification for its 2019-20 first interim report. The 2019-20 first interim report cited the need for future unidentified fiscal stabilization measures in fiscal year 2021-22 (the third year out) of \$12.9 million. In September, 2019, Santa Rosa City Schools reconvened its Fiscal Stabilization Committee in order to start the process of identifying expenditure reductions and revenue enhancements. On February, 2020, the Fiscal Stabilization Committee presented its Fiscal Stabilization Plan- Part 1, which had been accepted by Superintendent Kitamura, and included a total of \$11.6 million in expenditure reductions through fiscal year 2021-22. The Fiscal Stabilization Plan - Part 1 was approved by the Board and implemented in the 2019-20 second interim report, which was filed with a qualified certification due to the need for an

additional \$3.6 million in reductions. The Board subsequently, in June 2020, approved the Fiscal Stabilization Plan –Part 2 which included an additional \$8.1 million in reductions through fiscal year 2022-23 and was implemented in Santa Rosa City Schools' 2020-21 adopted budget.

Santa Rosa City Schools certified its fiscal year 2020-21 First Interim Report with a positive certification, however, the County Office of Education conditioned that certification upon a Board-approved fiscal stabilization plan being included in the 2020-21 Second Interim Report that shows a reserve for economic uncertainties of 3% in fiscal year 2022-23. On February 24, 2021, the Board approved \$14.1 million in expenditure reductions as required. The District certified its 2020-21 Second Interim Report with a positive certification. [Budget disclosure to be reviewed and confirmed by District]

General Fund Budget. Santa Rosa City Schools' general fund adopted budgets for fiscal years 2016-17 through 2020-21, audited actuals for the fiscal years 2016-17 through 2019-20 and projected financial results for fiscal year 2020-21 based upon the second interim report are set forth on the following page.

**SANTA ROSA CITY SCHOOLS
GENERAL FUND BUDGETING**

	Original Budget 2016-17 ¹	Audited Actuals 2016-17 ¹	Original Budget 2017-18 ¹	Audited Actuals 2017-18 ¹	Original Budget 2018-19 ¹	Audited Actuals 2018-19 ¹	Original Budget 2019-20 ¹	Audited Actuals 2019-20 ¹	Adopted Budget 2020-21 ²	Second Interim Report 2020-21 ²
REVENUES										
LCFF Sources	\$136,568,890	\$135,753,325	\$137,720,916	\$137,476,019	\$144,258,342	\$144,390,916	\$145,257,092	\$144,768,832	\$145,023,173	\$142,616,854
Federal	9,329,313	8,953,738	8,407,842	8,280,301	8,628,519	9,772,749	8,831,724	7,988,905	8,726,737	21,501,693
Other State	12,123,537	16,352,214	11,715,411	15,613,554	11,952,866	23,889,562	13,254,580	17,408,251	13,980,252	15,413,332
Other Local	<u>8,951,562</u>	<u>10,724,391</u>	<u>8,806,186</u>	<u>14,933,844</u>	<u>9,836,899</u>	<u>12,860,040</u>	<u>10,524,364</u>	<u>12,083,094</u>	<u>11,845,740</u>	<u>11,286,967</u>
Total Revenues	166,973,302	171,783,668	166,651,355	176,303,718	174,676,626	190,913,267	177,597,760	182,249,082	179,575,902	190,818,845
EXPENDITURES										
Certificated Salaries	76,622,339	76,464,536	76,955,578	75,285,414	75,875,743	76,285,970	76,577,133	78,771,124	80,519,787	82,732,333
Classified Salaries	21,084,556	20,469,599	22,073,735	20,395,482	22,900,675	20,286,734	24,564,981	22,807,980	25,099,606	23,671,461
Employee Benefits	28,696,856	30,709,121	30,275,898	30,233,975	32,837,993	41,541,329	40,250,585	41,462,641	43,092,668	42,054,855
Books and Supplies	14,631,205	7,392,007	6,090,592	8,968,568	6,312,304	5,411,874	3,856,502	8,178,513	6,027,657	10,144,916
Services, Other Operating Expenses	36,053,859	40,168,969	32,217,473	39,647,951	40,248,039	42,111,031	39,307,309	39,989,120	40,318,463	42,999,556
Capital outlay	152,770	411,974	464,869	844,239	20,000	394,543	84,000	114,316	151,256	208,258
Other Outgo	(182,030)	(478,120)	173,970	(593,092)	(553,264)	(678,034)	(924,236)	(913,993)	88,086	311,745
Direct Support & Indirect Costs	-	-	(727,335)	-	-	-	-	-	(759,773)	(759,773)
Total Expenditures`	177,059,555	175,138,086	172,524,780	174,782,537	177,641,490	185,353,447	183,716,274	190,409,701	194,537,750	201,363,351
EXCESS (DEFICIENCY) OR REVENUES OVER (UNDER) EXPENDITURES	(10,086,253)	(3,354,418)	(5,874,425)	1,521,181	(2,964,864)	5,559,820	(6,118,514)	(8,160,619)	(14,961,848)	(10,544,506)
OTHER FINANCING SOURCES (USES)										
Interfund Transfers in	-	733,000	733,000	733,000	733,000	733,000	(979,415)	979,414	4,779,415	5,397,495
Interfund Transfers out	(233,790)	(301,669)	138,790	(70,977)	(138,790)	(359,865)	(138,790)	-	-	660,774
Total Other Financing Sources and Uses	(233,790)	431,331	594,210	662,023	594,210	373,135	(1,118,205)	979,414	4,779,415	4,736,721
Net Change in Fund Balances	(10,320,043)	(2,923,087)	(5,279,215)	2,183,204	(2,370,654)	5,932,955	(7,236,719)	(7,181,205)	(10,182,433)	(5,807,784.70)
Fund Balance, July 1	-	26,177,402	14,183,460	23,254,315	-	25,437,519	-	31,370,474	21,592,534	23,636,527
Fund Balance, June 30	=	<u>\$23,254,315</u>	<u>\$ 8,833,245</u>	<u>\$25,437,519</u>	=	<u>\$31,370,474</u>	=	<u>\$24,189,269</u>	<u>\$11,410,101</u>	<u>\$17,828,742</u>

¹ From the audited financial statements of the District for such fiscal year.

² From 2020-21 Second Interim Report of the District.

Source: Santa Rosa City Schools.

Comparative Financial Statements

The District operates under a single budget with the Elementary School District as Santa Rosa City Schools. The District's Annual Financial Reports are audited and presented together with those of the Elementary School District as if the two districts are a single district called Santa Rosa City Schools. The financial information that follows for Santa Rosa City Schools includes financial information for both the District and the Elementary School District.

Santa Rosa City Schools' general fund finances the legally authorized activities of the District and the Elementary School District for which restricted funds are not provided. General fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from Santa Rosa City Schools' financial statements follows. The audited financial statements for Santa Rosa City Schools for the 2019-20 fiscal year are attached hereto as APPENDIX C. Santa Rosa City Schools has not requested, and its auditors have not provided, any review or update to such audited financial statements. Santa Rosa City Schools' audited financial statements for prior and subsequent fiscal years can be obtained by contacting Santa Rosa City Schools at 211 Ridgway Avenue, Santa Rosa, California 95401, telephone (707) 528-5381. Santa Rosa City Schools may impose a charge for copying, mailing and handling.

Santa Rosa City Schools' financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board. See "DISTRICT FINANCIAL INFORMATION – General Fund" for more information regarding the Santa Rosa City Schools' financial statements for recent fiscal years.

Funds used by Santa Rosa City Schools are categorized as follows:

Governmental Funds

General Fund

Special Revenue Funds

Debt Service Funds

Capital Project Funds

Fiduciary Funds

Trust and Agency Funds

Proprietary Funds

Internal Service Funds

The general fund of Santa Rosa City Schools, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District and the High School District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by Santa Rosa City Schools using information from the Annual Financial Reports which are prepared by the Deputy Superintendent, Business Services for Santa Rosa City Schools and audited by independent certified public accountants each year. Santa Rosa City Schools' audited financial statements for the year ending June 30, 2020 are attached hereto as APPENDIX C.

The following table reflects Santa Rosa City Schools' audited general fund revenues, expenditures and fund balances from fiscal year 2016-17 to fiscal year 2019-20:

SANTA ROSA CITY SCHOOLS
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2016-17 through 2019-20

	2016-17 Audit	2017-18 Audit	2018-19 Audit	2019-20 Audit
REVENUES				
LCFF Sources	\$135,753,325	\$137,476,019	\$144,390,916	\$144,768,832
Federal Revenues	8,953,738	8,280,301	9,772,749	7,988,905
Other State Revenues	16,352,214	15,613,554	23,889,562	17,408,251
Other Local Revenues	<u>10,724,391</u>	<u>14,933,844</u>	<u>12,860,040</u>	<u>12,083,094</u>
TOTAL REVENUES	171,783,668	176,303,718	190,913,267	182,249,082
EXPENDITURES				
Current				
Instruction	110,407,366	109,443,687	115,560,963	116,743,823
Instruction-related services:				
Supervision of Instruction	7,309,164	6,398,224	7,304,896	8,020,236
Instruction library, media and technology	963,621	938,286	1,010,360	1,184,875
School site administration	13,776,044	13,595,734	14,666,785	14,874,709
Pupil services:				
Home-to-school transportation	6,910,468	5,741,765	6,303,816	7,069,463
Food services	17,505	17,505	6,505	1,471,712
All other pupil services	10,751,514	11,369,390	13,221,938	13,805,223
General administration:				
Data processing	934,989	930,739	839,875	845,703
All other general administration	8,125,626	8,277,603	8,714,424	9,538,841
Plant services	12,680,694	12,696,826	14,338,632	13,666,253
Facilities acquisition and construction	--	2,102,921	--	--
Ancillary services	1,877,290	1,903,927	1,944,578	1,793,569
Community services	1,187,002	1,244,513	1,352,589	1,322,341
Payment to other agencies	<u>196,803</u>	<u>121,417</u>	<u>88,086</u>	<u>72,953</u>
TOTAL EXPENDITURES	175,138,086	174,782,537	185,353,447	190,409,701 18,863
Excess (Deficiency) of Revenues Over Expenditures	(3,354,418)	1,521,181	5,559,820	(8,160,619)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	733,000	733,000	733,000	979,414
Operating Transfers Out	<u>(301,669)</u>	<u>(70,977)</u>	<u>(359,865)</u>	--
TOTAL OTHER FINANCING SOURCES (USES)	431,331	662,023	373,135	979,414
Net Change in Fund Balances	(2,923,087)	2,183,204	5,932,955	(7,181,205)
Fund Balances at Beginning of Year	26,177,402	23,254,315	25,437,519	31,370,474
Fund Balances at End of Year	<u>\$ 23,254,315</u>	<u>\$ 25,437,519</u>	<u>\$ 31,370,474</u>	<u>\$ 24,189,269</u>

Source: Santa Rosa City Schools.

Accounting Practices

The accounting policies of Santa Rosa City Schools conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

State Budget Measures

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

2020-21 State Budget. Governor Newsom signed the budget for the State for fiscal year 2020-21 (the "2020-21 State Budget") on June 29, 2020. The 2020-21 State Budget reflected the impact of the global economic crisis caused by the Covid-19 pandemic on the State. The 2020-21 State Budget restated resources for fiscal year 2019-20 to \$148.9 billion and expenditures for fiscal year 2019-20 to \$146.9 billion. For fiscal year 2020-21, the 2020-21 State Budget projected total resources of \$139.7 billion with expenditures of \$133.9 billion. The 2020-21 State Budget closed a \$54.3 billion budget deficit and set aside \$2.6 billion in the Special Fund for Economic Uncertainties, including \$716 million for the State to respond quickly to the changing conditions of the COVID-19 pandemic. Despite significantly reducing the structural deficit over the next several years, an \$8.7 billion operating deficit was still forecasted in 2021-22, after accounting for reserves. The 2020-21 State Budget was balanced as follows:

- Draw Down of Reserves — \$8.8 billion draw down in reserves from the Rainy Day Fund (\$7.8 billion), the Safety Net Reserve (\$450 million), and all of the funds in the Public School System Stabilization Account (the "PSSSA").
- Triggers — \$11.1 billion in reductions and deferrals that would be restored if at least \$14 billion in federal funds were received by October 15, 2020. If the State received a lesser amount between \$2 billion and \$14 billion, the reductions and deferrals would be partially restored.
- Federal Funds — \$10.1 billion in federal funds that provide general fund relief, including \$8.1 billion already received, including the enhanced Federal Medical Assistance Percentage, a portion of the state's Coronavirus Relief Fund allocation and funds provided for childcare programs.
- Revenues — suspension of net operating losses for medium and large businesses and temporarily limited to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year which would generate \$4.4 billion in new revenues in the 2020-21 fiscal year.
- Borrowing/Transfers/Deferrals — \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools.
- Cancelled Expansions, Updated Assumptions and Other Solutions — \$10.6 billion of solutions included: i) cancelling multiple program expansions and anticipating increased government efficiencies; ii) higher ongoing revenues and iii) lower health and human services caseload costs.

Included in the 2020-21 State Budget were approximately \$5.7 billion of expenditures related to the COVID-19 pandemic, of which the State expected to be reimbursed for approximately 75%. The

2020-21 State Budget also made new investments in wildfire prevention and mitigation, including \$85.6 million to CAL FIRE for firefighting resources and surge capacity and \$50 million for community power resiliency. The 2020-21 State Budget also supported the new State Earthquake Early Warning Program, integrated the Seismic Safety Commission into the California Office of Emergency Services, and expanded efforts to address cybersecurity threats. In an effort to reduce the cost of government functions, nearly all State operations were intended under the 2020-21 State Budget to be reduced by approximately 5% over the next two years. Nonessential contracts, purchases, and travel were suspended and departments were directed to fill only the most essential vacant positions.

With respect to K-12 education, the 2020-21 State Budget included total funding of \$98.8 billion (\$48.1 billion general fund and \$50.7 billion other funds) for all K-12 education programs. The 2020-21 State Budget estimated Proposition 98 funds of \$78.5 billion in fiscal year 2018-19, \$77.7 billion in fiscal year 2019-20 and \$70.9 billion in fiscal year 2020-21. For K-12 schools, that resulted in Proposition 98 per pupil spending of \$10,654 in 2020-21, a \$1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all state, federal, and local sources decreased by approximately \$542 per pupil to \$16,881. To help mitigate the negative impacts of the decline in funding for K-12 schools and California community colleges, the 2020-21 State Budget included deferrals, learning loss mitigation, supplemental appropriations and supplemental retirement program contributions.

The 2020-21 State Budget included \$1.9 billion of LCFF apportionment deferrals in 2019-20, growing to \$11 billion LCFF apportionment deferrals in 2020-21. Additionally, the statutory LCFF COLA was suspended in fiscal year 2020-21. Of the total deferrals, \$5.8 billion would be triggered off in 2020-21 if the federal government provided sufficient funding that could be used for this purpose.

The 2020-21 State Budget included a one-time investment of \$5.3 billion (\$4.4 billion federal Coronavirus Relief Fund, \$539.9 million Proposition 98 funds, and \$355.2 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to school closures as a result of COVID-19. \$2.9 billion of such funds would be allocated based on the LCFF supplemental and concentration grant allocation; \$1.5 billion would be based on number of students with exceptional needs and \$979.8 million would be based on total LCFF allocation.

Supplemental appropriations in the 2020-21 State Budget equal to 1.5% of general fund revenues, beginning in fiscal year 2021-22, up to a cumulative \$12.4 billion, were intended to offset decreases in Proposition 98 funding also included in the 2020-21 State Budget. The 2020-21 State Budget also re-directed \$2.3 billion to STRS and PERS originally intended to reduce long-term unfunded liabilities to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. See "WINTERS JOINT UNIFIED SCHOOL DISTRICT – District Retirement Systems" for details on reductions to the STRS and PERS employer contribution rates in fiscal years 2020-21 and 2021-22.

Other significant features of the 2020-21 State Budget relating to K-12 education included the following:

- \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds with 90% (\$1.5 billion) allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs and the remaining 10% (\$164.7 million) for COVID-19 related state-level activities.
- An increase in the special education base rates to \$625 per pupil, apportioned using the existing hold harmless methodology, and \$100 million to increase funding for students with low-incidence disabilities

- \$15 million federal Individuals with Disabilities Education Act (“IDEA”) funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline, \$8.6 million IDEA funds to assist local educational agencies with developing regional alternative dispute resolution services and statewide mediation services, and \$1.1 million IDEA funds for a study of the current special education governance and accountability structure.
- ADA hold-harmless for the purpose of calculating apportionment in the 2020-21 fiscal year with ADA based on fiscal year 2019-20, except for new charter schools commencing instruction in 2020-21.
- An exemption for local educational agencies from the annual minimum instructional minutes requirement such that minimum daily instructional minutes and minimum instructional day requirements may be met through a combination of in-person and distance learning instruction.
- New requirements for distance learning services, including the provision of devices and connectivity and supports for students with exceptional needs, English language learner students, youth in foster care, and youth experiencing homelessness, as well as students in need of mental health supports. Daily interaction with students in distance learning is required and local educational agencies are required to provide access to nutrition programs.
- Distance learning attendance requirements, including documentation of daily student participation, weekly engagement records, and attendance reporting for purposes of chronic absenteeism tracking, re-engagement strategies for students who do not participate and regular engagement with parents or guardians regarding academic progress.
- Fiscal penalties for local educational agencies offering distance learning that do not meet instructional day requirements or the attendance-related requirements.
- Replacement of the LCAP with a Learning Continuity and Attendance Plan, to be completed by September 30, 2020 including:
 - A description of how the local educational agency will provide continuity of learning during the COVID-19 pandemic and address distance learning, learning loss, mental health and social-emotional well-being, professional development, pupil engagement and outreach and school nutrition;
 - Local educational agency expenditures related to addressing the impacts of the COVID-19 pandemic; and
 - How local educational agencies are increasing or improving services in proportion to funds generated on the basis of the number and concentration of English learners, youth in foster care, and low-income students pursuant to the LCFF.
- Suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff and suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021.

Proposed 2021-22 State Budget On January 8, 2021, Governor Newsom released his proposal for the budget for the State for fiscal year 2021-22 (the “Proposed 2021-22 State Budget”) citing immediate relief for individuals and small businesses disproportionately impacted by Covid-19, the safe

reopening of schools and extended learning time, and investment in strategies for creating quality jobs as priorities. The Proposed 2021-22 State Budget includes general fund revenues and transfers of \$158.3 billion and expenditures of \$164.5 billion in fiscal year 2021-22. The Proposed 2021-22 State Budget also revises revenue expectations for fiscal year 2020-21 up to \$162.7 billion, an increase of \$23 billion over the 2020-21 State Budget, and expenditures in fiscal year 2020-21 to \$155.8 billion, an increase of \$22 billion over the 2020-21 State Budget. While the Proposed 2021-22 State Budget is balanced, and reflects a significant increase in revenues over the 2020-21 State Budget, a structural deficit of \$7.6 billion is projected for 2022-23 that is forecast to grow to over \$11 billion by 2024-25. To provide resiliency, \$34 billion of reserves and discretionary surplus are included in the Proposed 2021-22 State Budget to bring the Budget Stabilization Account balance to \$15.6 billion; the Safety Net Reserve balance to \$450 million; the PSSSA to \$3 billion; and the State's operating reserve to an estimated \$2.9 billion.

The Proposed 2021-22 State Budget proposes \$3 billion of Covid-19 relief for immediate action in January, 2021 including \$2.4 billion for the Golden State Stimulus, a \$600 tax refund to low-income workers who were eligible to receive the earned income tax credits for calendar years 2019 and 2020, as well as \$575 million for grants to small businesses and small non-profit cultural institutions disproportionately impacted by the pandemic. To accelerate economic recovery and job creation, the Proposed 2021-22 State Budget includes i) \$777.5 million for a California Jobs Initiative to accelerate investment and job creation; ii) \$353 million for work force development; iii) \$1.5 billion for infrastructure and to implement the state's zero-emission vehicle goals; iv) \$500 million for infill infrastructure to accelerate housing development; v) \$385 million for targeted investments to build a more sustainable agricultural industry; and vi) \$300 million for deferred maintenance and greening of state infrastructure.

K-12 education funding under the Proposed 2021-22 State Budget reaches a new high. Total Proposition 98 funding is proposed to be \$85.8 billion. Total K-12 per pupil expenditures are projected to be \$18,837 in 2020-21 (\$12,354 in Proposition 98 funds and \$6,483 other funds) and \$18,000 in 2021-22 (\$12,648 in Proposition 98 funds and \$5,352 other funds). LCFF funding equals \$64.5 billion under the Proposed 2021-22 State Budget. In order to address the lack of a statutory COLA in the 2020-21 State Budget, the Proposed 2021-22 State Budget funds both the 2020-21 COLA (2.31%) and the 2021-22 COLA (1.5%) in fiscal year 2021-22, creating a compounded combined COLA of 3.84% for fiscal year 2021-22.

The apportionment deferrals included in the 2020-21 State Budget for fiscal year 2020-21 remain in place and such apportionments will be paid during fiscal year 2021-22. The Proposed 2021-22 State Budget eliminates any apportionment deferrals in fiscal year 2021-22 with the exception of the deferral in June 2022 which remains delayed until July 2022. The 1.5% supplemental appropriation to school districts in the 2020-21 State Budget is eliminated due to the increase in revenues, however, a one-time supplemental payment of \$2.3 billion is included to address Covid-19 related needs.

In accordance with Proposition 2 (described below), the Proposed 2021-22 State Budget projects deposits to the Budget Stabilization Account of \$747 million in 2020-21 and \$2.2 billion in 2021-22. Additionally, such deposits will trigger the 10% cap on school district reserves in fiscal year 2022-23.

In-Person Instruction Grants. Also calendared for immediate action in January in order to assist local educational agencies in returning to in-person instruction, the Proposed 2021-22 Proposed Budget includes \$2 billion of Proposition 98 funds to augment resources for schools to offer in-person instruction safely. Beginning in February 2021 with respect to TK through second grade students and March 15 for third through sixth grade students, county schools, school districts and charter schools (except certain non-classroom based charter schools) that continue or begin offering in-person instruction would receive a base grant of \$450 per pupil up to \$700 per pupil based on enrollment of low-income, foster youth and

English learners. Local education agencies that commence in-person instruction at a later date will qualify for a proportionally lower base grant, except those in counties with high rates of community spread. School districts in counties of high community spread will be eligible for the full February base grant if they open for in-person instruction pursuant to State and local health guidance once their rates of community spread sufficiently decline. The base grants may be expended for any purpose that supports in-person instruction, including Covid-19 testing, personal protective equipment and other in-person operating expenses such as teacher and staff salaries. See “Effect of Covid-19 Response on California School Districts” herein above for information regarding the implementation of the in-person instruction grants in the Proposed 2021-22 State Budget.

Expanded Learning Time. To address learning loss caused by distance learning and other learning disruptions due to Covid-19, the Proposed 2021-22 State Budget provides \$4.6 billion Proposition 98 funds for school districts to design targeted interventions that focus on students from low-income families, English language learners, youth in foster care, and homeless youth, including an extended school year or summer school. The funds would be eligible for targeted strategies that address learning loss related to the pandemic, including community learning hubs. See “Effect of Covid-19 Response on California School Districts” herein above for information regarding the implementation of expanded learning time in the Proposed 2021-22 State Budget.

The Proposed 2021-22 Proposed State Budget includes \$315.3 million for educator professional development, with emphases on developing quality training in high-need areas and providing timely access to training, including:

- \$250 million one-time Proposition 98 funds for the Educator Effectiveness Block Grant to provide local educational agencies with resources to expedite professional development for teachers, administrators, and other in-person staff, in high-need areas including accelerated learning, re-engaging students, restorative practices, and implicit bias training.
- \$50 million one-time Proposition 98 funds to create statewide resources and provide targeted professional development on social-emotional learning and trauma-informed practices.
- \$8.3 million one-time Proposition 98 funds for the California Early Math Initiative to provide teachers with professional development in mathematics teaching strategies for young children pre-K through third grade.
- \$7 million one-time non-Proposition 98 funds to the University of California Subject Matter Projects to create high-quality professional development on learning loss in core subject matter content areas like reading and math, and in ethnic studies.
- \$5 million one-time Proposition 98 funds for professional development and instructional materials for local educational agencies who are offering, or would like to offer, courses on ethnic studies.

To increase the well-prepared educator workforce, the 2021-22 Proposed State Budget includes \$225 million to be allocated as follows:

- \$100 million one-time non-Proposition 98 funds for continued investment in the Golden State Teacher Grant Program, which provides grants to students enrolled in teacher preparation programs who commit to working in high-need fields and at schools with high rates of under-prepared teachers.

- \$100 million one-time Proposition 98 funds to expand the Teacher Residency Program, which supports clinical teacher preparation programs dedicated to preparing and retaining teachers in high-need communities and subject areas, including special education, bilingual education, and STEM.
- \$25 million one-time Proposition 98 funds to expand the Classified School Employees Credentialing Program, which provides grants to local educational agencies to recruit non-certificated school employees to become certificated classroom teachers.

Other significant provisions of the Proposed 2021-22 State Budget related to K-12 education include the following:

- \$300 million ongoing Proposition 98 funds for the Special Education Early Intervention Grant to increase the availability of evidence-based services for infants, toddlers, and preschoolers.
- \$5 million one-time Proposition 98 funds to establish professional learning networks to increase local educational agency capacity to access federal Medi-Cal funds, and \$250,000 for a lead county office of education to provide guidance for Medi-Cal billing within the statewide system of support.
- \$500,000 one-time Proposition 98 funds for a study to examine certification and oversight of non-public school special education placements.
- \$264.9 million one-time Proposition 98 funds to enable local educational agencies to expand existing networks of community schools and establish new community schools, and to coordinate a wide range of services to these schools, with priority given to schools in high-poverty communities.
- \$25 million ongoing Proposition 98 funds to fund innovative partnerships with county behavioral health to support student mental health services.
- \$10 million one-time Proposition 98 funds for a county office of education to i) make information available for school climate surveys to assess community needs stemming from COVID-19 and distance learning; ii) provide grants to implement enhanced survey instruments and start-up costs in conducting annual school climate surveys; and iii) provide training on interpreting data and using responses to inform continuous improvement efforts.
- \$250 million one-time Proposition 98 funds to provide grants to local educational agencies that offer early access to TK and \$50 million one-time Proposition 98 funds to provide TK and kindergarten teachers with training in providing instruction in inclusive classrooms, support for English language learners, social-emotional learning, trauma-informed practices, restorative practices, and mitigating implicit biases.
- \$1.5 billion Proposition 51 bond funds to support school construction projects.
- COLA—An increase of \$85.7 million ongoing Proposition 98 funds to reflect a 1.5% COLA for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- County Offices of Education—An increase of \$10.2 million ongoing Proposition 98 funds to reflect a 1.5% COLA and ADA changes applicable to the LCFF.

Future Actions. The State is currently and also has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect Santa Rosa City Schools. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions. See also “- COVID-19 Outbreak and its Economic Impact” for a discussion of COVID-19 and its impact on the State economy.

The District cannot predict the extent to which the State will encounter budgetary difficulties and what budget actions will be taken to resolve those difficulties in future fiscal years. The District also cannot predict the impact future State Budgets will have on Santa Rosa City Schools finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control. The Bonds are secured by *ad valorem* taxes levied upon real property within the District.

Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools. The COVID-19 pandemic has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, the pandemic could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See “DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact” “– Effect of COVID-19 Response on California School Districts” herein. The District also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 pandemic described above.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIII A of the California Constitution

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base

year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on outstanding general obligation bonds of the District, including the Bonds. See “TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations” herein.

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

Property Tax Base Transfer Constitutional Amendment. On November 3, 2020, voters in the State approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment. Proposition 19: (i) expands special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrows existing special rules for inherited properties; and (iii) broadens the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

Legislation Implementing Article XIII A

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

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

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

Unitary Property

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

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education” herein.

Article XIII B of the California Constitution

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

(a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for certain debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified

capital outlay projects as defined by the Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, if a school district's revenues exceed its spending limit, such school district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "–Proposition 98" and "–Proposition 111" below.

Article XIII C and Article XIII D of the California Constitution

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or

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

Proposition 98

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

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

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

Proposition 111

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIII B spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above 1990 levels (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under

Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California (the “Controller”)). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by Santa Rosa City Schools as being received from the State. To the extent the holding in such case would apply to State payments reflected in the Santa Rosa City Schools’ budget, the requirement that there be either a final budget bill or an emergency

appropriation may result in the delay of such payments to Santa Rosa City Schools if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

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

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

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide. ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a

redevelopment agency that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other “enforceable obligations” (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

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

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

Proposition 55

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative (“Proposition 55”) which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales and use tax increases imposed under Proposition 30 which expired in the end of 2016.

Proposition 51

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

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

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

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

Proposition 2

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 (“Proposition 2”), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of general fund revenues into the Budget Stabilization Account (“BSA”). From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In

years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or general fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the PSSSA which serves as a reserve account for school funding in years when the State budget is smaller. See “State Budget Measures – 2020-21 State Budget” above for information regarding the budgeted withdrawal of funds from the PSSSA in fiscal year 2020-21.

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district's ending fund balances if a certain amount of funds is available in the State's PSSSA. In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year, (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES—Proposition 98”), a school district's adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and basic aid school districts.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

Santa Rosa City Schools is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures and other financing uses. On June 30, 2020, Santa Rosa City Schools' had available reserves of \$19,172,132, consisting of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the general fund. Santa Rosa City Schools' is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change Santa Rosa City Schools' current policies on reserves.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the

State's initiative process. From time to time other initiative measures could be adopted further affecting Santa Rosa City Schools revenues or Santa Rosa City Schools' ability to expend revenues. The nature and impact of these measures cannot be anticipated by Santa Rosa City Schools.

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT

The information in this section concerning the operations of the District and Santa Rosa City Schools, Santa Rosa City Schools' finances and State funding of education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of Santa Rosa City Schools. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on all property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein

Introduction

The District, together with the Elementary School District, operates as Santa Rosa City Schools. Pursuant to Section 35110 *et seq.* of the Education Code of the State, on April 26, 1983, the Board adopted Resolution No. E-349 which deemed the District and the Elementary School District to be a single school district for all purposes, including, but not limited to, budget and personnel matters, and the governing board of the District and the governing board of the Elementary School District, together, to be the governing board of a single school district. Each of the District and the Elementary School District, however, continue to hold title to property in their own name and any indebtedness for such property also remains the indebtedness of each separate district. The District and the Elementary School District incur bonded indebtedness as separate school districts.

The District is located in the northern San Francisco Bay Area in the County approximately 50 miles north of San Francisco and 85 miles northwest of Sacramento and consists primarily of the City and unincorporated portions of the County. The District provides seventh and eighth grade education services in 5 middle schools and ninth through 12th grade education services in six high schools as well as sixth through 12th grade in one virtual learning environment. In addition, the District operates two continuation schools. The Elementary School District, as well as eight distinct elementary districts, feed students into the District. The ADA for Santa Rosa City Schools for fiscal year 2020-21 is 13,409 students, and the District has a 2020-21 total assessed valuation of \$35,171,011,841. The audited financial statements for Santa Rosa City Schools for the fiscal year ended June 30, 2020 are attached hereto as APPENDIX C.

Board of Education

The District, together with the Elementary School District, operating as Santa Rosa City Schools, is governed by a Board. The Board consists of seven members who are elected by trustee area to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

SANTA ROSA CITY SCHOOLS Board of Education

Name	Office	Trustee Area	Term Expires December
Laurie Fong	President	7	2024
Jill McCormick	Clerk	2	2022
Ever Flores	Director	1	2024
Alegria De La Cruz	Director	3	2024
Stephanie Manieri	Director	6	2022
Omar Medina	Director	4	2022
Ed Sheffield	Director	5	2024

Source: *The District*.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by Santa Rosa City Schools. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of Santa Rosa City Schools may be obtained by contacting: Santa Rosa City Schools, 211 Ridgeway Avenue, Santa Rosa, California 95401, Attention: Deputy Superintendent of Business Services. The District may charge a small fee for copying, mailing and handling.

Key Personnel

The following is a listing of the key administrative personnel of Santa Rosa City Schools and a brief biography of the Superintendent follows.

Name	Title
Diann Kitamura ¹	Superintendent
Rick Edson	Deputy Superintendent, Business Services
Anna-Maria Guzman, Ed.D.	Assistant Superintendent, Curriculum and Instruction
Anna Trunnell ¹	Assistant Superintendent, Human Resources

Diann Kitamura. Diann Kitamura was appointed as the Superintendent of Santa Rosa City Schools on May 11, 2016. She previously served as Interim Superintendent from February 2016 until her appointment as Superintendent and as the Associate Superintendent since July 1, 2013. Superintendent Kitamura has thirty years of experience in education including as a teacher, school counselor and site

¹ Superintendent Kitamura will retire from the District as of June 30, 2021. Anna Trunnell, the Assistant Superintendent, Human Resources of the District has been appointed Superintendent of the District effective July 1, 2021.

administrator, as well as in the district office. She also served as a member of the Board of Trustees of Galt Joint Union High School District from 2008 to 2012 and as the President of the Board of Trustees for two years. She earned her M.S. in Counseling from California State University Sacramento and a B.S. in Plant Science from California Polytechnic San Luis Obispo.

Rick Edson. Mr. Edson has served as Deputy Superintendent, Business Services of Santa Rosa City Schools since ____, 20__. He previously served as Assistant Superintendent, Business Services, Chief Technology Officer and the Chief Bond Officer of Santa Rosa City Schools. Prior to Santa Rosa City Schools, Mr. Edson was a K-12 Specialist Account Executive at Enterasys Networks. He received a Bachelor of Arts Degree in Finance from California State University Sacramento.

Employees and Labor Relations

Santa Rosa City Schools employs approximately 908.6 full-time equivalent (“FTE”) certificated academic professionals, approximately 613.5 FTE classified employees and approximately 140.3 management, supervisor and confidential FTE employees.

The certificated employees of Santa Rosa City Schools have assigned the Santa Rosa Teachers Association (“SRTA”) as their exclusive bargaining agent. The contract between Santa Rosa City Schools and SRTA expires on June 30, 2021. Santa Rosa City Schools and SRTA have entered into several Memoranda of Understanding regarding Covid-19 and return to school protocols which are applicable to the 2020-21 school year.

The classified employees have assigned California School Employees Association (“CSEA”) as their exclusive bargaining agent and are represented by two local chapters of CSEA; Classified Local 75 and Classified Local 367. The contracts between Santa Rosa City Schools and each chapter of CSEA expires on October 31, 2021. Additionally, Santa Rosa City Schools and CSEA have entered into several Memoranda of Understanding regarding Covid-19 and return to school protocols which are applicable to the 2020-21 school year.

District Retirement Systems

The information set forth below regarding the District’s retirement programs, other than the information provided by Santa Rosa City Schools regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by the District.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. The District is currently required by such statutes to contribute 16.15% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 9.828% of teacher payroll for fiscal year 2020-21. The State’s contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 (“AB 1469”) which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually as described below. Teacher contributions also increased from

8.00% to a total of 10.25% of pay, phased in over the three year period from 2014-15 through 2017-18. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to A.B. 1469, school districts' employer contribution rates will increase over a seven-year phase-in period in accordance with the following schedule:

SCHOOL DISTRICT EMPLOYER CONTRIBUTION RATES
State Teachers' Retirement Fund

Effective Date (July 1)	School District Contribution Rate to STRS
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10*
2020	16.15* +

* The 2019-20 State Budget provided supplemental payments to STRS by the State which reduces the school district contribution rate under A.B. 1469.

+ Additional supplemental payments to STRS in the 2020-21 State Budget further reduced the school district contribution rate in fiscal year 2020-21.

Subsequent to the increases to the school district's contribution rates to STRS in the table above, A.B. 1469 requires that for 2021-22 and each fiscal year thereafter, STRS adjust the school districts' contribution rate to reflect the rate required to eliminate the unfunded liability by July 1, 2046. The 2020-21 State Budget applies certain funds in fiscal year 2020-21 intended under the 2019-20 State Budget to reduce future obligations to STRS to the school districts' current obligations to STRS to reduce the school district's contribution rates to STRS in fiscal year 2020-21 from 18.41% to approximately 16.15% and in fiscal year 2021-2022 from 17.9% to 16.02%.

Santa Rosa City Schools contributed \$8,502,761 to STRS for fiscal year 2015-16, \$10,046,129 for fiscal year 2016-17, \$11,276,388 for fiscal year 2017-18, \$12,897,120 for fiscal year 2018-19 and \$14,064,362 for fiscal year 2019-20. Such contributions were equal to 100% of the required contributions for the respective years. Santa Rosa City Schools has budgeted a contribution of \$14,141,555.58 for fiscal year 2020-21. With the implementation of AB 1469, Santa Rosa City Schools anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. Santa Rosa City Schools, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws.

The District is currently required to contribute to PERS at an actuarially determined rate, which is 20.7% of eligible salary expenditures for fiscal year 2020-21, while participants enrolled in PERS (whether enrolled prior to or subsequent to January 1, 2013) contribute 7% of their respective salaries.

On April 19, 2017, the Board of Administration of PERS adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the Board of Administration in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years. As a result of payments to be made by the State as part of the 2019-20 State Budget, the estimated future employer contribution rates to PERS were again revised downward for fiscal years 2019-20 through 2025-26 but remain subject to annual adoption by the PERS Board of Administration. See "DISTRICT FINANCIAL INFORMATION - State Budget Measures" herein.

On April 21, 2020, the Board of Administration of PERS (the "PERS Board") set the fiscal year 2020-21 employer contribution rate at 22.68%. The contribution rate reflected an initial actuarially determined rate of 23.35% that had been reduced by 0.67% after reflecting part of the State contribution. The PERS Board also approved a continuation of the current 7% employee contribution rate for fiscal year 2020-21 for school employees subject to the Public Employees' Pension Reform Act of 2013 described below. Subsequent to the PERS Board action, the 2020-21 State Budget provided supplemental payments to PERS which further reduces the employer contribution rate in fiscal year 2020-21 from 22.68% to 20.7%. See "State Budget Measures –2020-21 State Budget."

On April 19, 2021, the PERS Board set the fiscal year 2021-22 employer contribution rate at 22.91% which reflects a State contribution of 2.16% pursuant to the State budget for fiscal year 2019-20. The PERS Board also approved maintenance of the 7% employee contribution rate for 2021-22.

Santa Rosa City Schools contributed \$2,193,239 to PERS for fiscal year 2015-16, \$2,926,108 for fiscal year 2016-17, \$3,344,202 for fiscal year 2017-18, \$3,865,049 for fiscal year 2018-19 and \$4,711,818 for fiscal year 2019-20 which amounts equaled 100% of required contributions to PERS. Santa Rosa City Schools has budgeted a contribution of \$5,388,373.86 for fiscal year 2020-21.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales

and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS as of July 1, 2020 and STRS as of July 1, 2019.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation⁽¹⁾
(Dollar Amounts in Millions)⁽²⁾

<u>Plan</u>	<u>Accrued Liability</u>	<u>Market Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS)	\$104,062	\$71,400	(\$32,662)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	310,719	205,016	(105,703)

⁽¹⁾ As of July 1, 2020 for PERS and July 1, 2019 for STRS

⁽²⁾ Amounts may not add due to rounding.

Source: *PERS State & Schools Actuarial Valuation*; *STRS Defined Benefit Program Actuarial Valuation*.

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See “—California Public Employees’ Pension Reform Act of 2013” below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether Santa Rosa City Schools will be required to make larger contributions to STRS in the future. The District can also provide no assurances that Santa Rosa City Schools’ required contributions to PERS will not increase in the future.

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

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

Santa Rosa City Schools’ proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2020, are as shown in the following table.

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>
STRS	\$130,958,200
PERS	<u>45,097,814</u>
Total	\$176,056,014

Source: *Santa Rosa City Schools*.

For further information about Santa Rosa City Schools’ contributions to PERS and STRS, see Note 10 in the District’s audited financial statements for fiscal year ended June 30, 2020 attached hereto as Appendix B.

Risk of Investment Value Declines

School districts’ retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot determine whether current financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District’s contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments in response to the outbreak of COVID-19. See also “DISTRICT FINANCIAL INFORMATION – COVID 19 Outbreak and its Economic Impact” herein for information regarding the outbreak of COVID-19.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board (“GASB”) pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than*

Pensions. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Employees who are eligible to receive retiree employment benefits other than pensions (“Health and Welfare Benefits”) while in retirement must meet specific criteria, *i.e.*, age and years of service to Santa Rosa City Schools. As of June 30, 2020, 849 active employees and 78 inactive employees were covered under the benefit terms. Additionally, three retired Board members are entitled to lifetime Health and Welfare Benefits under a Board policy that has since been repealed.

Expenditures for Health and Welfare Benefits are recognized each pay period at a rate that approximates the amount of premiums paid. During the fiscal years ended June 30, 2018, June 30, 2019, and June 30, 2020 expenditures of \$1,546,678, \$1,546,678 and \$1,660,679 were recognized for Health and Welfare Benefits, respectively. Santa Rosa City Schools has not set-aside any amounts in a trust to pre-fund Health and Welfare Benefits. The following table shows the changes in the net Health and Welfare Benefits during fiscal year 2019-20.

	<u>Total Liability</u>
Balance at June 30, 2019	\$ 25,384,497
Service Cost	1,787,851
Interest in Total Health and Welfare Benefits Liability	955,030
Balance of diff between actual and exp experience	299,318
Balance of changes in assumptions	(4,213,526)
Benefit payments	(1,580,608)
Net Changes	<u>(2,751,935)</u>
Balance at June 30, 2020	\$22,632,562

Source: *Santa Rosa City Schools*.

Risk Management

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters. Santa Rosa City Schools is a member of Redwood Empire Schools Insurance Group (“RESIG”), a joint powers authority that provides various types of insurance to its members as requested. RESIG provides property, liability and workers’ compensation to Santa Rosa City Schools.

Santa Rosa City Schools maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker’s compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

District Debt Structure

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

SANTA ROSA CITY SCHOOLS Long-Term Debt

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
General Obligation Bonds ¹	\$219,390,905	-	\$22,792,510	\$196,598,395	\$15,470,000
School Facilities Program Loan	4,906,770	-	131,420	4,775,350	134,071
Certificates of Participation	8,295,817	60,860	65,000	8,291,677	95,000
Net Pension Liability	176,776,742	59,200,342	59,921,070	176,056,014	-
Total OPEB Liability	25,384,497	5,768,576	8,520,510	22,632,563	-
Compensated Absences	<u>1,586,006</u>	<u>809,078</u>	<u>396,182</u>	<u>1,998,902</u>	-
Total	\$436,340,737	\$65,838,856	\$91,826,692	\$410,352,901	\$15,699,071

¹ Includes general obligation bonds issued by the District and the Elementary School District.
Source: *Santa Rosa City Schools*.

General Obligation Bonds

The District received authorization from the voters within the District to issue \$129,000,000 aggregate principal amount of general obligation bonds pursuant to an authorization on November 5, 1991 (the "1991 Authorization"). The District also received authorization from the voters within the District to issue \$77,230,000 aggregate principal amount of general obligation bonds pursuant to an authorization on March 5, 2002 (the "2002 Authorization").

The District issued its \$18,575,000 2011 General Obligation Refunding Bonds to refund certain general obligation bonds issued pursuant to the 2002 Authorization. The District issued its \$51,510,000 2013 General Obligation Refunding Bonds (the "2013 Refunding Bonds") to refund certain general obligation bonds issued pursuant to the 1991 Authorization and the 2002 Authorization. The District issued its \$27,370,000 2015 General Obligation Refunding Bonds to refund certain general obligation refunding bonds issued to refund certain general obligation bonds issued under the 1991 Authorization. The District issued its \$21,090,000 2017 General Obligation Bonds to refund a portion of the 2011 Refunding Bonds and a portion of the 2013 Refunding Bonds.

No further general obligation bonds remain to be issued under the 1991 Authorization or the 2002 Authorization, except for possible refunding bonds. The District intends to refund a portion of the outstanding 2013 Refunding Bonds from the net proceeds of the Refunding Bonds.

The District received authorization to issue \$175,000,000 aggregate principal amount of general obligation bonds under the Authorization. On February 25, 2016, the District issued its \$12,165,000 General Obligation Bonds, 2014 Election, 2016 Series A, on December 23, 2016, the District issued its \$50,000,000 General Obligation Bonds, 2014 Election, 2016 Series B and on June 14, 2018, the District issued its General Obligation Bonds, 2014 Election, 2018 Series C and General Obligation Bonds, 2014 Election, 2018 Series D. The Bonds are the fifth series of general obligation bonds to be issued under the Authorization. Subsequent to the issuance of the Series E Bonds, no general obligation bonds will remain for issuance under the Authorization.*

* Preliminary; subject to change.

The Bonds are issued on a parity with all general obligation bonds of the District, including the the 2013 Refunding Bonds, the 2015 Refunding Bonds, the Series B Bonds and the Series C Bonds. See “DEBT SERVICE SCHEDULE” for the debt service payments to be made on all of the District’s outstanding general obligation bonds.

Certificates of Participation

On June 12, 2008, the District executed and delivered \$6,116,013 aggregate principal amount of certificates of participation (the “2008 Certificates”) in order to finance certain capital improvements to District facilities. On December 16, 2015, the District executed and delivered \$8,195,444.15 aggregate principal and issue amount of its 2015 Refunding Certificates of Participation (the “Refunding Certificates”) in order to prepay a portion of the 2008 Certificates. The Refunding Certificates were issued as current interest certificates and capital appreciation certificates and are secured by the general fund of Santa Rosa City Schools. The annual payments with respect to the Refunding Certificates through maturity are as follows:

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT Certificates of Participation Debt Service

Bond Year (June 1)	Principal Component	Current Interest Component	Compounded Interest Component	Total Annual Certificate Payments
2021	\$95,000.00	\$245,743.76	--	\$340,743.76
2022	125,000.00	243,843.76	--	368,843.76
2023	125,251.20	241,343.76	\$34,748.80	401,343.76
2024	145,403.70	241,343.76	49,596.30	436,343.76
2025	225,000.00	241,343.76	0	466,343.76
2026	181,199.70	235,718.76	88,800.30	505,718.76
2027	192,650.20	235,718.76	112,349.80	540,718.76
2028	204,553.95	235,718.76	140,446.05	580,718.76
2029	217,393.80	235,718.76	172,606.20	625,718.76
2030	226,919.60	235,718.76	203,080.40	665,718.76
2031	475,000.00	235,718.76	--	710,718.76
2032	550,000.00	219,687.50	--	769,687.50
2033	635,000.00	201,125.00	--	836,125.00
2034	725,000.00	178,900.00	--	903,900.00
2035	820,000.00	153,525.00	--	973,525.00
2036	925,000.00	123,800.00	--	1,048,800.00
2037	1,040,000.00	86,800.00	--	1,126,800.00
2038	<u>1,130,000.00</u>	<u>45,200.00</u>	<u>--</u>	<u>1,175,200.00</u>
Total	\$8,038,372.15	\$3,636,968.86	\$801,627.85	\$12,476,968.86

Source: Santa Rosa City Schools.

Short-Term Debt. As of June 30, 2020, the District did not have any short-term debt outstanding. The District does not expect to issue any tax and revenue anticipation notes in fiscal year 2021-22.

Joint Powers Authority

On July 1, 2016, Santa Rosa City Schools joined West County Transportation Agency (“WCTA”) which provides pupil transportation services to its member school districts within the County. Santa Rosa City Schools has agreed to make service payments to WCTA in an amount equal to its actual annual transportation costs. Pursuant to the Joint Powers Agreement under which WCTA was formed, member

agencies, such as Santa Rosa City Schools, may only terminate their membership in WCTA after three consecutive years as a member and, upon termination, must pay any liabilities incurred during such member's membership, including bonded indebtedness. In April, 2017, WCTA issued its \$10,835,000 Series 2017 Bonds (Transportation Facility Project) (the "WCTA Bonds"). Payments on the WCTA Bonds will be made by WCTA from service payments made to it by its members. See "TAX BASE FOR REPAYMENT OF THE BONDS – Direct and Overlapping Indebtedness" herein for information regarding Santa Rosa City Schools' proportionate liability for the WCTA Bonds.

SONOMA COUNTY POOLED INVESTMENT FUND

The following information concerning the Sonoma County Pooled Investment Fund has been provided by the County Treasurer and has not been confirmed or verified by the District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

Under California law, the District is required to pay all monies received from any source into the Sonoma County Treasury to be held on behalf of the District. The County Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury.

Decisions on the investment of funds in the Pooled Investment Fund are made by the County Treasurer and his deputies in accordance with established policy guidelines. In the County, investment decisions are governed by California Government Code Sections 53601 and 53635, *et seq.*, which govern legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the County Treasurer and adopted by the County Board of Supervisors on an annual basis. The Investment Policy is reviewed and approved annually by the County Board of Supervisors. The County Treasurer's compliance with the Investment Policy is also audited annually by an independent certified public accountant.

**SONOMA COUNTY
POOLED INVESTMENT FUND
PORTFOLIO EARNINGS FOR QUARTER ENDING MARCH 31, 2021**

Source: *The County*.

The District has not made an independent investigation of the investments in the Pooled Investment Fund and has made no assessment of the current County Investment Policy. The value of the various investments in the Pooled Investment Fund 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 Treasurer, after a review by the Committee and approval by the 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 Pooled Investment Fund will not vary significantly from the values described therein.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than 9 months following the end of the District’s fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2020-21 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District has entered into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT hereto. These covenants have been made in order to assist the Underwriters in complying with the Rule.

Within the last five years, the District has not failed to comply, in all material respects, with any previous undertakings it has entered into with respect to the Rule. The District has engaged Isom Advisors, a Division of Urban Futures, Incorporated to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with its current and future continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District (“Bond Counsel”), attesting to the validity of the Bonds, will be supplied to the Underwriters of the Bonds without charge, a form of which is attached hereto as Exhibit A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Bond Counsel and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy

proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolutions and the Act require the County to annually levy *ad valorem* 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, premium, if any, and interest on the Bonds. The County, on behalf of the District, is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County’s Investment Pool, as described in “APPENDIX E - SONOMA COUNTY INVESTMENT POLICY STATEMENT” attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can “trace” those funds. There can be no assurance that the Owners could successfully so “trace” such taxes on deposit in the District’s Interest and Sinking Fund where such amounts are invested in the County Investment Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

California Senate Bill 222

Government Code Section 53515, added by SB 222, applicable to general obligation bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

TAX MATTERS

The delivery of the Series E Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Series E 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 Series E 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 forms of Bond Counsel’s anticipated opinions respecting the Bonds are included in APPENDIX A. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

In rendering the foregoing opinions with respect to the Series E Bonds, 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 Series E Bonds pertaining to the use, expenditure, and investment of the proceeds of the Series E Bonds and will assume continuing compliance with the provisions of the Series E Resolution by the District subsequent to the issuance of the Series E Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Series E 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 Series E 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 Series E 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 Series E Bonds. Prospective purchasers of the Series E Bonds should be aware that the ownership of tax-exempt obligations such as the Series E 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 opinions of Bond Counsel, and Bond Counsel’s opinions are 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 Series E Bonds, the District may have different or conflicting interests from the owners of the respective Series E Bonds. Public awareness of any future audit of the Series E Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Interest on the Refunding Bonds is not excludable from the gross income of the owners thereof for federal tax purposes.

Tax Accounting Treatment of Discount and Premium on Certain of the Bonds

The initial public offering price of certain of the Series E Bonds (the “Discount Bonds”) may be less than the amount payable on such Series E 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 Series E 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 Series E 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 Series E 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 Series E 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.

Forms of Bond Counsel Opinions. The forms of the proposed opinions of Bond Counsel relating to the Bonds are attached to this Official Statement as APPENDIX A.

LEGALITY FOR INVESTMENT

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

RATING

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "___" to the Bonds. Such rating reflects only the view of Moody's and an explanation of the significance of such rating may be obtained as follows: Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

ESCROW VERIFICATION

The sufficiency of amounts on deposit in the Escrow Fund to pay the redemption price of the Refunded Bonds will be verified by Causey Demgen & Moore P.C., certified public accountants (the "Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc., (the "Representative") on behalf of itself and RBC Capital Markets, LLC, has agreed to purchase the Series E Bonds at the purchase price of \$_____ (reflecting the principal amount of the Series E Bonds plus original issue premium in the amount of \$_____ less an Underwriters' discount in the amount of \$_____), at the rates and yields shown on the cover hereof. The Representative has agreed to purchase the Refunding Bonds at the purchase price of \$_____ (reflecting the principal amount of the Refunding Bonds less an Underwriters' discount in the amount of \$_____), at the rates and yields shown on the cover hereof.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover page. The initial public offering prices or yields may be changed from time to time by the Underwriters.

Underwriter Disclosures. RBC Capital Markets, LLC has provided the following information for inclusion in this Official Statement:

RBC Capital Markets, LLC and its affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC Capital Markets, LLC and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC Capital Markets, LLC and its affiliates may engage in transactions for their own

accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. RBC Capital Markets, LLC and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. RBC Capital Markets, LLC and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of the offering of the Bonds or other offerings of the District; provided, however, that potential investors are advised that the offering of the Bonds is made only by means of the Official Statement. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than as contained in the Official Statement.

NO LITIGATION

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

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the City of Santa Rosa High School District, 211 Ridgway Avenue, Santa Rosa California 95401.

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

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

CITY OF SANTA ROSA HIGH SCHOOL
DISTRICT

By _____
Superintendent

APPENDIX A
FORMS OF BOND COUNSEL OPINION

[Closing date]

Board of Education
City of Santa Rosa High School District
211 Ridgeway Avenue
Santa Rosa, California 95401

Re: \$_____ City of Santa Rosa High School District (Sonoma County, California)
 General Obligation Bonds, 2014 Election, 2021 Series E

Ladies and Gentlemen:

We have acted as bond counsel for the City of Santa Rosa High School District (Sonoma County, California) (the “District”), in connection with the issuance by the District of \$_____ aggregate principal amount of the District’s General Obligation Bonds, 2014 Election, 2021 Series E (the “Bonds”). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of Education of the District on _____, 2021 (the “Resolution”). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and the County of Sonoma (the “County”) as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second

paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion herein with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding general obligations of the District.
2. The Bonds are payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount, except for certain personal property that is taxable at limited rates.
3. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
4. Interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended..
5. Interest on the Bonds is exempt from personal income taxes of the State of California.

Ownership of tax-exempt obligations such as the Bonds may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Bonds or such owner's other items of income or deduction. We express no opinion with respect to any federal, state, or local tax consequences, under present law or any proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

[Closing date]

Board of Education
City of Santa Rosa High School District
211 Ridgeway Avenue
Santa Rosa, California 95401

Re: \$___ City of Santa Rosa High School District (Sonoma County, California)
 2021 General Obligation Refunding Bonds (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel for the City of Santa Rosa High School District (Sonoma County, California) (the “District”), in connection with the issuance by the District of \$___ aggregate principal amount of the District’s 2021 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53550), as amended, and that certain resolution adopted by the Board of Education of the District on ____, 2021 (the “Resolution”). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and the County of Marin (the “County”) as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of

the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion herein with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding general obligations of the District.
2. The Bonds are payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount, except for certain personal property that is taxable at limited rates.
3. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
4. Interest on the Bonds is exempt from personal income taxes of the State of California.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

APPENDIX B

**SANTA ROSA CITY SCHOOLS
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SANTA ROSA AND THE COUNTY OF SONOMA

The following information concerning the City of Santa Rosa (the “City”) and the County of Sonoma (the “County”) is presented for information purposes only. The following information has been obtained from the sources referenced as of the dates indicated. These sources are believed to be reliable but the information is not guaranteed as to accuracy or completeness, and is not, and should not be construed as, a representation by the District. The District comprises only a portion of the County. The Bonds are only payable from ad valorem property taxes levied on property in the District. The Bonds are not a debt or obligation of the County.

The historical data and results presented in the tables that follow may differ materially from future results as a result of economic or other factors, including as a result of the impact of COVID-19. For more information on the impact of the COVID-19 pandemic, see “DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact” and “-Effect of COVID-19 Response on California School Districts” herein.

General

The County. The County is located approximately 90 miles east of the City of San Francisco and 75 miles south of the City of Sacramento. The County is located in the Central Valley region of California, one of the fastest growing regions of the State. Agriculture and related industries, such as food-processing, are major industries in the County.

The City. The City is located in the central portion of the County and covers an area of about 35 square miles. Incorporated in 1868, the City became a charter city in 1872. The City operates under the council-manager form of government, with a City Council comprised of seven members elected at large to serve overlapping four-year terms. The City Council, which acts as the City's legislative and policy-making body, also selects the City Manager.

Population

The population of the City, the County and the State for calendar years 2016 through 2020 are presented in the following table.

POPULATION City of Santa Rosa, County of Sonoma and State of California

Year	Santa Rosa	Sonoma County	State of California
2016	176,027	502,602	39,179,627
2017	176,688	503,842	39,500,973
2018	177,202	501,129	39,809,693
2019	175,183	496,947	39,927,315
2020	173,628	492,980	39,782,870

As of January 1.

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark*. Sacramento, California, May 2020.

Industry and Employment

The civilian labor force in the County consists of an average of 245,100 workers as of 2020. The total employment component of the labor force is 225,800. County residents seeking employment averaged 19,300 during 2020. The following table shows labor force statistics within the County as well as employment by industry group for 2016 through 2020.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT, EMPLOYMENT BY INDUSTRY County of Sonoma

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Civilian Labor Force	259,200	259,900	260,600	257,100	245,100
Employment	248,900	251,100	253,300	250,000	225,800
Unemployment	10,300	8,800	7,300	7,100	19,300
Unemployment Rate ⁽¹⁾	4.0%	3.4%	2.8%	2.7%	7.9%
Wage and Salary Employment					
Agriculture	6,100	6,100	6,700	6,600	6,200
Mining and Logging	200	200	200	200	200
Construction	12,400	13,100	15,200	16,500	15,900
Manufacturing	22,700	23,000	23,400	23,400	22,200
Wholesale Trade	7,300	7,400	7,500	7,600	7,400
Retail Trade	25,000	25,100	24,900	24,200	22,600
Transportation, Warehousing and Utilities	36,400	36,500	36,500	36,100	34,000
Information	2,700	2,700	2,700	2,600	2,300
Finance and Insurance	5,200	5,200	4,900	4,700	4,500
Professional and Business Services	21,200	22,100	23,200	23,400	22,500
Educational and Health Services	33,000	34,100	34,800	35,800	34,100
Leisure and Hospitality	25,400	25,700	25,700	25,800	18,400
Other Services	7,200	7,200	7,100	7,100	5,900
Government	32,300	32,300	31,100	29,500	27,100
Total, Non Agricultural	201,900	205,600	208,700	209,000	190,100

(1) The unemployment rate is calculated using unrounded data. Data may not add due to rounding.
Source: *State of California Employment Development Department*.

Major Employers

The County is host to a diverse mix of major employers representing industries ranging from government and health services to leisure and hospitality. The following tables list the County's major employers and the City's major employers, respectively.

COUNTY OF SONOMA MAJOR EMPLOYERS

Employer Name	Location	Industry
Aabalat Fine & Rare Wines	Petaluma	Wineries (mfrs)
Amys Kitchen	Santa Rosa	Frozen Food Processors (mfrs)
Army National Guard Recruiter	Santa Rosa	Government Offices-State
Clover Sonoma	Petaluma	Dry Condensed/Evprtd Dairy Prod (mfrs)
Fairmont Sonoma Msn Inn & Spa	Sonoma	Hotels & Motels
First Security Svc	Rohnert Park	Security Guard & Patrol Service
Flex Products Inc	Santa Rosa	Coatings-Vacuum Deposition (mfrs)
Freeman Toyota	Santa Rosa	Automobile Dealers-Used Cars
Ghilotti Construction	Santa Rosa	Excavating Contractors
Kaiser Permanente Santa Rosa	Santa Rosa	Hospitals
La Torilla Factory	Santa Rosa	Factory Outlets
Macy's	Santa Rosa	Department Stores
Medtronic Inc	Santa Rosa	Surgical Instruments-Manufacturers
Petaluma City Passports	Petaluma	Government Offices-City/Village & Twp
Petaluma Valley Hospital	Petaluma	Hospitals
Protransport-1	Cotati	Transportation Services
Santa Rosa Memorial Hospital	Santa Rosa	Hospitals
Santa Rosa Police Dept	Santa Rosa	Police Departments
Scoe Employee Ctr	Santa Rosa	County Government-Education Programs
Sonoma County Dept-Fire	Santa Rosa	Fire Departments
Sonoma County Sheriff	Santa Rosa	Government Offices-County
Sonoma Developmental Ctr	Eldridge	Hospitals
Sutter Santa Rosa Regl Hosp	Santa Rosa	Hospitals
US Coast Guard	Petaluma	Federal Government-National Security
Walmart	Windsor	Department Stores

Source: State of California Employment Development Department, *America's Labor Market Information System (ALMIS) Employer Database, 2021 1st Edition*

**MAJOR EMPLOYERS
CITY OF SANTA ROSA
(As of 2017)**

Employer Name	Industry	Number of Employees
County of Sonoma	Government	4,834
Kaiser Permanente	Health Care	2,640
Santa Rosa Junior College	Education	3,625
St. Joseph Health System	Health Care	1,578
Santa Rosa City Schools	Education	1,691
Keysight Technologies	Electronics	1,275
City of Santa Rosa	Government	1,267
Medtronic CardioVascular	Medical Devices	1,000
Sutter Regional Hospital	Health Care	963
Amy's Kitchen	Food Manufacturing	890

Source: *City of Santa Rosa*.

Commercial Activity

A summary of historic taxable sales in the County from 2015 through 2019 (the most recent data available) are shown in the following tables.

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

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015				
2016				
2017				
2018				
2019				

Source: *State Board of Equalization and California Department of Tax and Fee Administration*.

Construction Activity

Building activity for the years 2016 through 2020 in the County and the City is shown in the following tables.

SONOMA COUNTY Total Building Permit Valuations 2016 through 2020 (Figures in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$112,941.1	\$202,169.1	\$1,071,852.3	\$527,761.2	\$259,578.5
New Multi-family	26,149.2	46,674.0	127,743.3	117,333.8	100,949.9
Res. Alterations/Additions	<u>71,079.1</u>	<u>97,326.9</u>	<u>96,590.5</u>	<u>93,045.0</u>	<u>111,109.8</u>
Total Residential	210,169.4	346,170.0	1,296,186.1	738,140.0	471,638.2
New Commercial	75,558.4	62,845.9	115,156.2	45,903.3	50,323.7
New Industrial	156.3	759.6	1,277.3	199.0	4,360.0
New Other	34,103.7	42,464.5	92,847.3	42,809.2	84,120.1
Com. Alterations/Additions	<u>79,943.6</u>	<u>99,102.9</u>	<u>124,238.1</u>	<u>97,259.2</u>	<u>108,262.5</u>
Total Nonresidential	\$189,762.0	\$205,172.9	\$333,518.9	\$186,170.7	\$247,066.3
<u>New Dwelling Units</u>					
Single Family	560	881	3,247	1,722	1,038
Multiple Family	<u>264</u>	<u>351</u>	<u>1,057</u>	<u>1,056</u>	<u>778</u>
TOTAL	824	1,232	4,304	2,778	1,816

Source: *Construction Industry Research Board.*

CITY OF SANTA ROSA Total Building Permit Valuations 2016 through 2020 (Figures in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	29,331.7	58,523.7	722,634.2	263,952.9	58,674.6
New Multi-family	12,671.8	11,537.1	30,300.5	18,567.3	38,029.5
Res. Alterations/Additions	<u>20,405.5</u>	<u>28,614.3</u>	<u>32,726.7</u>	<u>24,384.0</u>	<u>49,119.7</u>
Total Residential	\$62,409.0	\$98,675.0	\$785,661.4	\$306,904.1	\$145,823.8
New Commercial	9,538.9	11,190.5	25,919.7	21,477.5	36,856.4
New Industrial	156.4	0	0	0	0
New Other	13,990.9	11,023.3	28,567.0	7,602.6	36,856.4
Com. Alterations/Additions	<u>24,201.2</u>	<u>44,712.4</u>	<u>37,078.6</u>	<u>38,694.0</u>	<u>42,373.4</u>
Total Nonresidential	\$47,887.4	\$66,926.1	\$91,565.3	\$67,774.1	\$91,431.9
<u>New Dwelling Units</u>					
Single Family	108	240	1,585	570	240
Multiple Family	<u>142</u>	<u>100</u>	<u>120</u>	<u>163</u>	<u>213</u>
TOTAL	250	340	1,705	733	453

Source: *Construction Industry Research Board.*

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the City of Santa Rosa High School District (the “District”) in connection with the execution and delivery of \$_____ aggregate principal amount of the District’s General Obligation Bonds, 2014 Election, 2021 Series E and \$_____ aggregate principal amount of the District’s 2021 General Obligation Refunding Bonds (Federally Taxable) (collectively, “Bonds”). The Bonds are being issued pursuant to Resolutions adopted by the Board of Education of the District on _____, 2021 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriters described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist the participating underwriters (the “Underwriters”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc..

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

“Listed Event” means any of the events listed in Section 6 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/>, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated _____, 2021 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2021, which would be due on April 1, 2022, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

(ii) General fund budget for current fiscal year;

(iii) Assessed valuations within the District for the current fiscal year; and

(iv) Property tax levy, collections and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

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

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;
- (iv) Substitution of or failure to perform by any credit provider;
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the obligated person which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

- (i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (ii) Modifications of rights to Bondholders;
- (iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent; and

(viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or

specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

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

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: _____, 2021

CITY OF SANTA ROSA HIGH SCHOOL
DISTRICT

By: _____
Superintendent

Acceptance of duties as Dissemination Agent:

By: _____
Isom Advisors, a Division of Urban Futures, Inc.

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Santa Rosa High School District

Name of Issue: \$_____ General Obligation Bonds, 2014 Election, 2021 Series E
and
\$_____ 2021 General Obligation Refunding Bonds (Federally Taxable)

Date of Issuance: _____, 2021

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated ____, 2021. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By:_____

APPENDIX E

SONOMA COUNTY INVESTMENT POLICY STATEMENT

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) 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).

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

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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.

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

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in St. Paul, Minnesota. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in St. Paul, Minnesota, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.