

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Participant, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Note designated as and comprising interest with respect to the Certificates is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Note designated as and comprising interest with respect to the Certificates is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest designated as and comprising interest with respect to the Certificates is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the Participant, under existing statutes, interest on the Note designated as and comprising interest with respect to the Certificates is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.*

**\$17,000,000**  
**LOS ANGELES COUNTY SCHOOLS**  
**POOLED FINANCING PROGRAM**  
**2025-26 POOLED TRAN**  
**PARTICIPATION CERTIFICATES**  
**SERIES A**

Evidencing and Representing Proportionate and Undivided Interests  
of the Owners Thereof in the 2025-26 Tax and Revenue Anticipation Note of  
Manhattan Beach Unified School District

**Date of Issue: Date of Delivery****Maturity Date: June 2, 2026**

The Certificates will be delivered as fully registered certificates, without coupons, and when delivered will be registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee. DTC will act as securities depository for the Certificates. Individual purchases of beneficial interests in the Certificates will be made in book-entry form only and in the principal amount of \$5,000 or any integral multiple thereof. **Purchasers of such beneficial interests will not receive physical delivery of the Certificates.** Principal and interest due with respect to the Certificates will be payable on the maturity date set forth on the inside cover hereof (the "Maturity Date") by the Treasurer and Tax Collector of the County of Los Angeles, acting as fiscal agent (in such capacity, the "Certificate Agent"), to DTC. Interest is payable on the basis of a 360-day year of twelve 30-day months. DTC will in turn remit such principal and interest to the DTC Participants (as hereinafter defined), who will in turn remit such principal and interest to the Beneficial Owners (as hereinafter defined) of the Certificates (see "DESCRIPTION OF THE CERTIFICATES – Book-Entry System" herein).

**The Certificates will not be subject to prepayment prior to maturity.**

The Certificates evidence and represent a proportionate and undivided interest in (i) 2025-26 tax and revenue anticipation note (the "Note") issued by Manhattan Beach Unified School District (the "Participant"), located within the County of Los Angeles (the "County") and (ii) the debt service payment on the Note attributable to the Certificates to be made by the Participant. The Participant has pledged certain unrestricted revenues as described herein for the payment of the principal of and interest on the Note. In accordance with California law and a resolution of the governing board of the Participant, the Note is a general obligation of the Participant payable out of the taxes, income, revenue, cash receipts, and other moneys of the Participant received or accrued by the Participant for the general fund of the Participant for Fiscal Year 2025-26 and, to the extent the Note is not paid from revenues pledged for the payment of the Note, the Note shall be paid with interest thereon from any other moneys of the Participant lawfully available therefor. Payment by the Participant of the principal of and interest on the Note shall fully discharge the obligations of the Participant to the Owners of the Certificates.

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 Certificates will be offered when, as and if executed and delivered to and received by the Underwriter, subject to approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Certificates, in book-entry form, will be available for delivery through the facilities of DTC on or about September 17, 2025.



Capital  
Markets

## MATURITY SCHEDULE

**\$17,000,000**  
**LOS ANGELES COUNTY SCHOOLS**  
**POOLED FINANCING PROGRAM**  
**2025-26 POOLED TRAN**  
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### Principal Amount, Interest Rate, Yield and CUSIP

| <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Priced to<br/>Yield</u> | <u>CUSIP No.<br/>(54515E)*</u> | <u>Maturity Date</u> |
|-------------------------|----------------------|----------------------------|--------------------------------|----------------------|
| \$17,000,000            | 4.000%               | 2.200%                     | GC2                            | June 2, 2026         |

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No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offers made hereby and, if given or made, such information or representation must not be relied upon as having been authorized by the Participant. The information set forth in this Official Statement has been obtained from the Participant, the County of Los Angeles (see APPENDIX D - "THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS" hereto) and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstance create any implication that there has been no change in the affairs of the Participant since the date hereof. This Official Statement does not constitute an offer to sell the Certificates in any state or other jurisdiction to any person to whom it is unlawful to make such an offer in such state or jurisdiction.

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

All summaries of the Note, the Trust Agreement, the Resolutions (each as defined herein) and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions.

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

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

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. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "forecast" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FORWARD-LOOKING STATEMENTS. NO ASSURANCE IS GIVEN THAT ACTUAL RESULTS WILL MEET THE FORECASTS CONTAINED HEREIN IN ANY WAY. THE PARTICIPANT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THESE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR DO NOT OCCUR.

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

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## **OFFICIAL STATEMENT**

**\$17,000,000**  
**LOS ANGELES COUNTY SCHOOLS**  
**POOLED FINANCING PROGRAM**  
**2025-26 POOLED TRAN**  
**PARTICIPATION CERTIFICATES**  
**SERIES A**

Evidencing and Representing Proportionate and Undivided Interests  
of the Owners Thereof in the 2025-26 Tax and Revenue Anticipation Note of  
Manhattan Beach Unified School District

### **INTRODUCTION**

This Official Statement, including the cover page, inside cover, table of contents and appendices, sets forth certain information concerning \$17,000,000 aggregate principal amount of the Los Angeles County Schools Pooled Financing Program 2025-26 Pooled TRAN Participation Certificates, Series A (the “Certificates”). The Certificates evidence and represent proportionate and undivided interests in (1) 2025-26 Tax and Revenue Anticipation Note (the “Note”) issued by Manhattan Beach Unified School District (the “Participant”), located in the County of Los Angeles (the “County”), and (2) the debt service payment on the Note attributable to the Certificates to be made by the Participant. The Note is issued pursuant to Article 7.6, Sections 53850 *et seq.*, and particularly under authority of Section 53853, of the California Government Code (the “Government Code”), and a resolution adopted by the governing board of the Participant (the “Participant Resolution”) and a resolution adopted by the Los Angeles County Board of Supervisors (the “Board of Supervisors”) on August 12, 2025 (the “County Resolution,” and together with the Participant Resolution, the “Resolutions”).

The Certificates will be executed and delivered by The Bank of New York Mellon Trust Company, N.A., acting as Certificate Agent (the “Certificate Agent”), pursuant to a Trust Agreement, dated as of September 1, 2025 (the “Trust Agreement”), between the County and the Certificate Agent, as authorized by the Resolutions. See “THE PARTICIPANT” herein for a listing of the Participant and APPENDIX A – “PARTICIPANT INFORMATION AND CASH FLOW STATEMENTS” and APPENDIX B – “PROJECTED COVERAGE AND DEBT SET ASIDE TABLE” for a summary description of certain information relating to the Participant.

The Note is being issued to provide operating cash for the Participant prior to its receipt of anticipated tax payments and other revenues. Imbalances in the Participant’s cash flows, resulting from the timing of expenditures and receipts, require that the Participant borrow funds in order to meet all scheduled disbursements, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness of the Participant. The Participant has pledged, pursuant to Section 53856 of the Government Code and the Participant Resolution, certain unrestricted revenues to be received by the Participant for the payment, when due, of the principal of and interest on the Note. The Note is a general obligation of the Participant and, to the extent that the Note is not paid from such pledged revenues of the Participant, the Note shall be paid, with interest thereon, from any other moneys of the Participant lawfully available therefor, pursuant to Section 53857 of the Government Code. See “SOURCES OF PAYMENT FOR THE CERTIFICATES” herein.

All quotations from and summaries and explanations of provisions of the laws of the State of California (the “State”) and acts and proceedings of the Participant contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Certificates, the Note and the proceedings of the Participant relating thereto are qualified

in their entirety by reference to the definitive forms of the Certificates, the Note and such proceedings. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

## **THE TRANSACTION**

It is intended that on the date of issuance of the Note and the execution and delivery of the Certificates (the “Closing Date”), pursuant to the Trust Agreement, the following transactions shall occur simultaneously: (a) the County, acting through the County Treasurer and Tax Collector (the “Treasurer”), shall purchase the Note and, simultaneously with such purchase, the Note shall be assigned to and deposited with the Certificate Agent which shall hold the Certificates in trust until June 2, 2026 (the “Maturity Date”); (b) the Certificate Agent shall sell the Certificates to, and such Certificates shall be purchased by, RBC Capital Markets, LLC (the “Underwriter”) pursuant to a Purchase Contract by and between the Treasurer and the Underwriter; and (c) pursuant to the Trust Agreement, the Certificate Agent shall execute and deliver the Certificates (in authorized denominations) to, and shall cause such Certificates to be registered in the name of, The Depository Trust Company (“DTC”), or its nominee, for the benefit of the beneficial owners of interests in the Certificates described herein (“Beneficial Owners”).

The purchase price for the Note shall be derived solely from the proceeds received from the sale of the Certificates, which shall be an amount equal to the principal amount of all of the Note, less any discount, plus any premium. The Certificates shall represent undivided, proportionate interests in the Note and the debt service payment to be made by the Participant under the Note. Debt service payments made by the Participant with respect to the Note, taking into consideration anticipated investment earnings thereon to the maturity date of the Note, shall be remitted by the Treasurer by wire transfer to DTC or its nominee, which in turn will remit such payment to participants in DTC (“DTC Participants”) for subsequent disbursement to the Beneficial Owners. See “DESCRIPTION OF THE CERTIFICATES — Book-Entry System” herein. The Certificate Agent agrees to hold the Note until its maturity for the benefit of the Beneficial Owners. Neither the Treasurer nor the Certificate Agent shall have any further liability with respect to payment of principal and interest with respect to the Certificates or any fiduciary responsibility to the Certificate owners or the Beneficial Owners except as expressly set forth in the Trust Agreement or the terms of the Certificates. See “THE TRUST AGREEMENT” herein.

The Participant expects to apply all the proceeds of the Note during Fiscal Year 2025-26 for operating expenses incurred in such Fiscal Year. However, it is possible that the Participant may be able to use restricted funds on a temporary basis to pay such operating expenses. Such restricted funds, if used, will be required to be repaid by the Participant out of Note proceeds or other available funds.



## THE PARTICIPANT

The school district participating in the financing herein described and the principal amount of the Note is set forth below:

### *Certificates:*

| <u>The Participant</u>                  | <u>Principal<br/>Amount</u> |
|-----------------------------------------|-----------------------------|
| Manhattan Beach Unified School District | \$17,000,000                |

## DESCRIPTION OF THE CERTIFICATES

### **The Certificates**

The Certificates will be executed and delivered as fully registered certificates in the aggregate principal amount of \$17,000,000. The Certificates will be dated, will mature and will have an interest component calculated at the rates per annum, all as shown on the inside cover page hereof. Principal and interest with respect to the Certificates will be payable on the Maturity Date. Principal and interest due with respect to the Certificates will be payable by the Certificate Agent from amounts on deposit in the Repayment Fund (the “Repayment Fund”) to DTC, which will in turn remit such principal and interest to the DTC Participants. It is the responsibility of the DTC Participants to remit such principal and interest to the Beneficial Owners. The Certificates and the Note evidenced thereby are not subject to prepayment prior to their maturity.

### **Book-Entry System**

DTC will act as securities depository for the Certificates. The Certificates 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 security Certificates will be issued in the aggregate principal amount of the Note, and will be deposited with DTC.

DTC 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 rating of AA+ assigned by S&P (as defined herein). The DTC Rules applicable to its Direct and Indirect Participants (collectively, the “DTC Participants”) are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 DTC Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

## **SOURCES OF PAYMENT FOR THE CERTIFICATES**

### **The Note**

The Certificates shall evidence and represent proportionate and undivided interests in the Note and in the debt service payment to be made thereon by the Participant.

The Note is a general obligation of the Participant and, to the extent not paid from the Pledged Revenues (as defined herein) of the Participant, shall be paid from any other moneys of the Participant lawfully available therefor. See "PARTICIPANT FINANCES" herein. However, except for the Pledged Revenues, the Participant is not prohibited from pledging, encumbering and utilizing other moneys for other purposes and there can be no assurance that such other moneys will be available for the payment of the principal and interest with respect to the Certificates and the Note evidenced thereby.

### **Assignment of Note**

Pursuant to the Trust Agreement, the Note and all right, title and interest therein and to all payments thereon, are irrevocably assigned, pledged and transferred to the Certificate Agent for the benefit of the registered owners of the related Certificates (the "Owners"). The debt service payment on the Note shall be deposited into the Repayment Fund and, together with anticipated investment earnings thereon, shall be used for the payment of the interest on and principal of the Certificates, and the Note will not be pledged to or used for any other purpose while any of the Certificates remain outstanding. The assignment, transfer and pledge of the Note to the Certificate Agent pursuant to the Trust Agreement shall constitute a first and exclusive lien on the principal and interest payment of and all other rights under the Note in accordance with the Trust Agreement.

The principal and interest payment on the Note shall be paid directly by the Participant to the Treasurer for deposit into the Repayment Fund and reinvested through the Maturity Date of the Note. All money in the Repayment Fund shall be held in trust for the benefit and security of the Registered Owners of the Certificates. If the amount on deposit in the Repayment Fund is in excess of the amounts required to pay the principal of and interest due on the Note on the Maturity Date therefor, such excess amounts shall remain in the Repayment Fund and, subject to any rebate requirements as specified in the Tax Certificate of the Participant dated the date of delivery, shall be transferred to the general fund of the Participant following payment of the amount of Certificates corresponding to the Note. To the extent Note repayment is received from the Participant that is less than the amount required to pay the principal of and interest due on the Note on the Maturity Date, the Certificate Agent shall apply the money received in the following order of priority: first, to pay interest on the Note; and second, to pay the principal of the Note.

## **Pledged Revenues**

As security for the Note, the Participant has pledged certain Unrestricted moneys (the “Pledged Revenues”), and the principal of the Note and the interest thereon shall constitute a first lien on and charge against the Pledged Revenues. “Unrestricted moneys” means taxes, income, revenue, cash receipts and other moneys attributable to Fiscal Year 2025-26 and intended as receipts for the general fund of the Participant and which are generally available for the payment of current expenses and other obligations of the Participant.

The amounts of Pledged Revenues specified as security for the Note pursuant to the Participant Resolution and expressed as the principal amount set-aside of the Note are reflected in the table attached to Appendix B, together with the months during which such Pledged Revenues are expected to be deposited in the Repayment Fund, with the deposits during each Pledge Month required to be made on or before the last business day of that month. See APPENDIX B – “PROJECTED COVERAGE AND DEBT SET ASIDE TABLE” hereto.

The Participant shall cause the debt service payment on the Note to be deposited in a separate fund for the Participant to be held by the Treasurer until the amount on deposit in such fund, taking into consideration anticipated investment earnings thereon to be received by the Maturity Date of the Note, is equal in the respective repayment months to the percentages of the principal and interest due on the Note at maturity as set forth above for the Participant. The amounts deposited therein shall be applied solely to the payment of the Note and the Certificates at the time and in the manner set forth in the Resolutions and the Trust Agreement. See “Repayment Fund” herein.

## **Intercept Procedure**

**In the State of California, school district revenues are received and deposited by the county in which such school district is located. Pursuant to the Participant Resolution, the Participant has directed the Auditor-Controller of the County (the “Auditor-Controller”) to intercept Pledged Revenues and place them on deposit with the Treasurer. The County has covenanted to intercept the Pledged Revenues of the Participant.**

**Under this procedure, the Auditor-Controller will deposit Pledged Revenues directly in the Repayment Fund. Upon such deposit, such amounts will be invested in the Los Angeles County Treasury Pool (the “Treasury Pool”) or in such other Permitted Investments and will not be available for the Participant. See “- Repayment Fund” herein.**

## **Repayment Fund**

In accordance with the provisions of the Resolutions, there will be established a repayment fund for the Participant (the “Repayment Fund”), into which amounts sufficient to pay principal of and interest on the Note issued by the Participant will be deposited. All moneys deposited in the Repayment Fund are required to remain on deposit until the simultaneous maturity date of the Note and the Certificates, at which time they will be applied, along with the investment earnings thereon, to the extent necessary, to pay the principal of and interest due on the Note. On the Maturity Date of the Certificates, the debt service payment on the Note shall be applied to the payment of principal and interest due with respect to the Certificates. Amounts on deposit in the Repayment Fund may not be used for any other purpose; however, they may be invested in certain investments as described below under the sub-caption “Investment of Note Proceeds and Repayment Fund,” provided such investments mature in sufficient time to permit the timely payments from the Repayment Fund of principal and interest with respect to the Note and the Certificates. All investment income shall accrue to and become part of the Repayment Fund. When the aggregate amount in the

Repayment Fund is sufficient to pay the principal of and interest on the Note and the Certificates when due, any excess amounts may be transferred to the general fund of the Participant, as applicable, and applied by the Participant for any lawful purpose. In the event that there are insufficient funds in the Repayment Fund on the third business day prior to the last business day of a Pledge Month, the Treasurer shall direct the Auditor-Controller to draw from the Unrestricted money of the Participant held by the Treasurer and attributable to the Participant for the purpose of repaying the Note.

### **Investment of Note Proceeds and Repayment Fund**

The Trust Agreement provides that Note proceeds and amounts in the Repayment Fund are permitted to be invested at the direction of the Treasurer in the following investments; provided, however, that amounts shall not be invested in investments with the respective maturity dates later than when funds are needed to make necessary payments of principal and interest with respect to the applicable Certificates and in no event later than the Maturity Date of the Certificates.

1. Obligations of, or fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States of America, or by any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America;
2. Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board (FHLB); (b) the Federal Home Loan Mortgage Corporation (FHLMC), participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts), senior debt obligations; (c) the Federal National Mortgage Association (FNMA), senior debt obligations, mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts); and (d) Federal Farm Credit Bank (FFCB) (system-wide);
3. Commercial paper having original maturities of not more than 270 days, payable in the United States of America rated “A-1+” by S&P and “Prime-1” by Moody’s and issued by corporations that are organized and operating in the United States with total assets in excess of five hundred million dollars (\$500,000,000) and having “A” or better rating for the issuer’s debt, other than commercial paper, as provided by Moody’s or S&P. The maximum total par value may be up to 15% of the total amount held by the Certificate Agent in accordance with the Trust Agreement;
4. The Treasury Pool (see APPENDIX D – “THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS” hereto);
5. Demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances (including those of the Certificate Agent or any of its affiliates), having original maturities of not more than 30 days, with a maximum par value of 30% of the total amount held by the Certificate Agent in accordance with the Trust Agreement. The institution must have a minimum short-term rating of “A-1+” and “P-1” by S&P and Moody’s, respectively, and a long-term rating of no less than “A”;
6. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. 80a-1, *et seq.*), limited to investments in obligations of the United States Government and its agencies and instrumentalities, whose fund has received the highest possible rating from at least two nationally recognized statistical rating organizations, with one

such rating being at least “AAm-G” from S&P, including, without limitation, any mutual fund for which the Certificate Agent or an affiliate of the Certificate Agent serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Certificate Agent or an affiliate of the Certificate Agent receives fees from funds for services rendered, (ii) the Certificate Agent collects fees for services rendered pursuant to the Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Trust Agreement may at times duplicate those provided to such funds by the Certificate Agent or an affiliate of the Certificate Agent. The maximum par value may be up to 15% of the total amount held by the Certificate Agent in accordance with the Trust Agreement;

7. Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, including certificates of deposit placed by a third party pursuant to an agreement between the County and the Certificate Agent, in each case which has obligations outstanding having a rating of “A-1+” and “P-1” or better from Moody’s and S&P, respectively, or fully Federal Deposit Insurance Corporation-insured, including those of the Certificate Agent or any of its affiliates;

8. Repurchase or reverse repurchase agreements (including those of the Certificate Agent or any of its affiliates) may have a maximum maturity of 30 days and must be fully secured at or greater than 102% of their market value, plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with clause 2 above, the provider of which must have a minimum short-term rating of at least “A-1+” from S&P; and

9. Investment agreements and guaranteed investment contracts from providers rated at least “AA-” by S&P and “Aa3” by Moody’s.

All of the Note proceeds will be invested in the Treasury Pool.

## **THE TRUST AGREEMENT**

Pursuant to the Trust Agreement, The Bank of New York Mellon Trust Company, N.A. is appointed to act as Certificate Agent with respect to the Certificates, with the duty to hold the Note in trust until maturity for the benefit of the Beneficial Owners of the Certificates. The Certificate Agent is further appointed to act as Registrar for the Certificates and, in such capacity, to keep and maintain books and records as to the ownership, transfer and exchange of the Certificates.

A portion of the net proceeds from the sale of the Certificates will be deposited with, and disbursed by, the Certificate Agent for the payment of certain costs of issuance. The Treasurer, in its capacity as Certificate Agent, shall make payments with respect to the Certificates when duly presented at the Maturity Date.

The Participant has covenanted in the Participant Resolution to cause the Repayment Fund to be maintained by the Treasurer, who shall cause the application of the amounts deposited therein solely to the payment of the Note and the Certificates at the time and in the manner set forth in the Participant Resolution. In the Trust Agreement, the Certificate Agent has covenanted that it will duly and punctually pay or cause to be paid interest with respect to the Certificates from the payment of interest on the Note on deposit in the Repayment Fund, payable on the maturity date thereof, the principal and interest with respect to the Certificates, that it will not pledge, assign, subject to any lien, or otherwise encumber the debt service payment received from the Participant, and that it shall apply such payment solely to the payment of the

principal and interest due with respect to the Certificates. The County covenants in the Trust Agreement that it will duly and punctually cause the payment of principal and interest with respect to the Certificates from the payment of principal and interest on the Note; *provided, however* that the County shall not be required to expend any funds other than moneys paid by the Participant as and for payment of principal of and interest on the Note, including Pledged Revenues and amounts deposited into the Repayment Fund and any other moneys lawfully available therefor pursuant to the Participant Resolution. The Certificate Agent covenants in the Trust Agreement that in no event shall the Certificate Agent be required to expend any of its own funds or incur any personal liability. The Certificate Agent further covenants in the Trust Agreement that it will faithfully observe and perform all of the conditions, covenants and requirements of the Trust Agreement, that it will not pledge, assign, subject to any lien, or otherwise encumber the Note or any interest therein other than as contemplated by the Trust Agreement and that it will hold the Note for the sole benefit of the Owners until the Maturity Date therefor.

Except as expressly provided in the Trust Agreement, neither the Treasurer nor the Certificate Agent shall have any obligation or liability to the Beneficial Owners of the Certificates with respect to payment of principal of or interest on the Note or the observance or performance by the Participant of any obligations or agreements or the exercise of any rights under the Resolutions.

The Participant has covenanted in the Participant Resolution to file notices of certain events listed therein (collectively, the “Listed Events”) with either the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”) or as otherwise required by the MSRB or the Securities and Exchange Commission. See “CONTINUING DISCLOSURE” herein for a description of the specific nature of the notices of Listed Events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

## **LIMITATIONS ON REMEDIES**

### **General**

The primary source of repayment of the Certificates is the scheduled payment of principal and interest from the Note. However, pursuant to the Government Code, the Note are general obligations of the Participant. Accordingly, the Participant is liable on the Note (even in the event that the Note become Defaulted Note) to the extent of its lawfully available revenues. If such lawfully available revenues are not sufficient to pay the Note or Defaulted Note, as the case may be, the Participant is not obligated to pay such Note or Defaulted Note from any other sources.

### **Limitation on Remedies**

The rights of the Owners of the Certificates are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the Participant may become subject to the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which 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, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Certificates 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), which governs the bankruptcy proceedings for public agencies such as the Participant, there are no involuntary petitions in bankruptcy. If the Participant were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Certificate Agent and the Participant could be prohibited from taking certain steps to enforce their rights under the Trust Agreement. In a decision dated March 8, 1995, the United States Bankruptcy Court for the Central District of California ruled that a pledge granted by Orange County pursuant to a resolution adopted by that county in connection with the issuance of tax and revenue anticipation notes (“TRANS”) was not effective with respect to general revenues accruing to Orange County after the filing of a petition in bankruptcy. The resolution obligated Orange County to set aside a specified amount of revenues in certain months in order to secure the payment of its TRANS. On July 12, 1995, the United States District Court for the Central District of California reversed the order of the Bankruptcy Court and determined that the obligation created under the resolution adopted by Orange County is a statutory lien which survived the filing of Orange County’s bankruptcy petition. The parties subsequently negotiated a settlement. No assurance can be made that future allegations would not be raised in another bankruptcy proceeding.

### **INVESTMENT OF PARTICIPANT FUNDS**

Pursuant to the Education Code, all funds which comprise the general fund of a school district are deposited in the Treasury Pool. The Treasurer allocates such amounts to the credit of the proper fund or account of each school district. The Education Code permits the governing board of any school district which has funds in a special reserve fund of such school district or any surplus moneys not required for the immediate necessities of the school district to invest all or any part of the funds in investments specified in Sections 16430 or 53601 of the Government Code. However, pursuant to the current policies of the Treasurer, all school districts are deemed to be involuntary depositors and all funds thereof are deposited in the Treasury Pool.

The Treasurer believes that the Treasury Pool has sufficient liquidity to permit the payment of current expenses and other obligations of school districts in the County, including the Participant. See APPENDIX D – “THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS” hereto.

### **PARTICIPANT FINANCES**

#### **General**

Appendix A hereto contains a general description of the Participant, its employees, retirement programs and enrollment history and projections. Also set forth are tables for the Participant showing summaries of assessed value, recent audited results, actual and projected cash flow schedules and current budget information. The estimates and timing of receipts and disbursements in such cash flow analyses are based on certain assumptions and should not be construed as statements of fact. The cash flow projections represent the current best estimate of the Participant, based on information available as of the date of the projections. However, due to the uncertainties inherent in the State budgeting process (See “PARTICIPANT FINANCES – State Assistance”), these projections are subject to change and may vary considerably from actual cash flows experienced by the Participant.

The information regarding the Participant has been taken or constructed from the official records of the Participant. Such information has been reviewed by an authorized representative of the Participant acting in his or her official capacity. Such representative has determined that as of the date hereof the information contained herein is, to the best of his or her knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact, or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.



Payment of State assistance in the amounts anticipated depends on the State's adhering to its current budget, including the appropriations therein provided for local assistance. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 98" below. Also, see "– Major Revenues" and "PARTICIPANT FINANCES – State Assistance – 2025-26 State Budget" below for information concerning the Local Control Funding Formula (defined herein) included in the 2025-26 State Budget (defined herein).

## **Major Revenues**

The Treasurer manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool. See "INVESTMENT OF PARTICIPANT FUNDS" and APPENDIX D – "THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS." The composition and value of investments under management in the Treasury Pool vary from time to time, depending on cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally.

## **K-12 School Districts**

The operating income of school districts in California is comprised of two components: a State portion funded from the State's general fund and a local portion derived from the Participant's share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical funding from State and federal government programs.

**Local Control Funding Formula.** As part of the 2013-14 State budget, State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") to replace the revenue limit funding system for determining State apportionments and the majority of categorical program funding. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). The LCFF consists primarily of base grant, supplemental grant and concentration grant funding that focuses resources based on a school's student demographics. Each school district and charter school will receive a per pupil base grant to support the basic costs of instruction and operations. The implementation of the LCFF was to occur over a period of several years (and by 2021 or earlier), beginning in Fiscal Year 2013-14 when an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the 2013-14 State Budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. The LCFF was fully implemented in Fiscal Year 2019-20, and the funding gap has since been closed.

The LCFF includes the following components:

- A uniform base grant for each local education agency based on four different grade spans of pupils, transitional kindergarten ("TK")/kindergarten ("K")-3, 4-6, 7-8, and 9-12, per unit of average daily attendance ("ADA"). The Fiscal Year 2025-26 adjusted base grant amounts for each grade span are as noted in the table below. These amounts include an adjustment of 10.4% to the base grant to support lowering class sizes in grades TK/K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. Unless otherwise collectively bargained for, school districts must maintain an average class enrollment of 24 or fewer students in grades TK/K-3 at each school site so as to continue receiving its adjustment to the TK/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.

- A 20% supplemental grant for students classified as English learners (“EL”), those eligible to receive a free or reduced price meal (“FRPM”) and foster youth, to reflect increased costs associated with educating those students.
- An additional concentration grant equal to 65% of an LEA’s base grant, based on the number of EL, FRPM, and foster youth served by an LEA, which provides additional funding for districts with unduplicated counts greater than 55% of enrollment.
- An economic recovery target (“ERT”) to ensure that almost every LEA receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.
- An add-on to the LCFF entitlement equal to the TK add-on rate multiplied by a district’s current year TK ADA. The Fiscal Year 2025-26 TK add-on per ADA is \$5,545.

Base grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. The provision of cost-of-living adjustments (“COLAs”) will be subject to appropriation for such adjustment in the annual State budget. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. The amounts below reflect funding levels used in the LCFF Entitlement calculations.

**California School District and Charter School LCFF Entitlement  
Base Grant Funding, Education Code Section 42238.02(d)**

|            | A                                | B                                         | C                                                                             | D                                                                  | E                                                                 |
|------------|----------------------------------|-------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------|
| Grade Span | 2024-25<br>Base Grant<br>per ADA | 2025-26<br>Statutory<br>COLA<br>(A*2.30%) | 2025-26 Base<br>Grant per<br>ADA before<br>Grade Span<br>Adjustments<br>(A+B) | Grade Span<br>Adjustments<br>(TK-3:<br>C*10.4%<br>9-12:<br>C*2.6%) | 2025-26<br>Base Grant/<br>Adjusted Base<br>Grant per ADA<br>(C+D) |
| TK/K-3     | \$10,025                         | \$231                                     | \$10,256                                                                      | \$1,067                                                            | \$11,323                                                          |
| 4-6        | 10,177                           | 234                                       | 10,411                                                                        | N/A                                                                | 10,411                                                            |
| 7-8        | 10,478                           | 241                                       | 10,719                                                                        | N/A                                                                | 10,719                                                            |
| 9-12       | 12,144                           | 279                                       | 12,423                                                                        | 323                                                                | 12,746                                                            |

Source: California Department of Education

**Local Control and Accountability Plan (“LCAP”).** As part of the LCFF, school districts, county offices of education, and charter schools are required to develop, adopt and annually update a three-year Local Control and Accountability Plan or “LCAP,” beginning on July 1, 2014, using a template adopted by the California State Board of Education (“SBE”). The SBE is required to adopt evaluation rubrics to assist school districts and oversight entities in evaluation strengths, weaknesses, areas that require improvement, technical assistance needs, and where interventions are warranted on or before October 1, 2015. Subsequent revisions to the template or evaluation rubrics are required to be approved by the SBE by January 31 before the fiscal year when the template or rubric would be used. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators.

## ***Ad Valorem Property Taxes***

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 State assessed 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 semi-annual installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent 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 costs and redemption 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 are currently due as of the January 1 lien date prior to the commencement of the Fiscal Year and become delinquent, if unpaid, on August 31 (or June 30). A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. 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 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.

## **Proposition 98**

*General.* In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit (“SAL”). Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding “test” to calculate the annual funding guarantee. This third calculation is

operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual COLA for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the SAL (Article XIII B). See "– State Assistance – 2025-26 State Budget" below.

*Calculating Minimum Funding Guarantee.* There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40%. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Since 1989, each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount of Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. From 1992-93 to 2007-08 this statutory split was suspended.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth (ADA) and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita general fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990, (SB 98, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

## **State Assistance**

The Participant's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the Participant believes to be reliable; however, the State has not entered into any contractual commitment with the Participant, the County, the Underwriter, Bond Counsel, Underwriter's Counsel nor the owners of the Certificates to provide State budget information to the Participant or the owners of the Certificates. Although**

they believe the State sources of information listed above are reliable, none of the Participant, the County, Bond Counsel, Disclosure Counsel, Underwriter's Counsel nor the Underwriter assume any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including [www.dof.ca.gov](http://www.dof.ca.gov), which website is not incorporated herein by reference.

**Proposition 30.** The passage of the Governor's November Tax Initiative ("Proposition 30") on the November 6, 2012 ballot resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first \$250,000 in income and on couples after their first \$500,000 in earnings. These increased tax rates affect approximately 1% of California personal income tax filers and went into effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The Legislative Analyst's Office (the "LAO") estimates that, as a result of Proposition 30, additional state tax revenues of about \$6 billion annually from Fiscal Years 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in Fiscal Years 2011–12, 2017–18, and 2018–19. These additional monies were available to fund programs in the 2012-13 State Budget and prevented certain "trigger cuts" included in the 2012-13 State Budget. Proposition 30 also placed into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

New revenues generated from Proposition 30 are deposited into a newly created State account called the Education Protection Account ("EPA"). Local education agencies, comprised of school districts, county offices of education, and charter schools ("LEAs") will receive funds from the EPA based on their proportionate share of the Statewide revenue limit amount. A corresponding reduction is made to an LEA's revenue limit equal to the amount of their EPA entitlement. LEAs began to receive EPA payments quarterly beginning with Fiscal Year 2013-14.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Tax revenue received under Proposition 55 is allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales tax rate increase enacted under Proposition 30.

For further information on Proposition 30, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 30."

**Limitations on School District Reserves.** The 2014-15 State Budget included the Education Budget Trailer Bill ("SB 858") which amended Education Code section 42127 to provide that, beginning in Fiscal Year 2015-16, if a school district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the following information for review at the annual public hearing on its proposed budget: (i) the minimum recommended reserve adopted by the State Board of Education; (ii) the school district's fund balance in excess of the recommended reserve; and (iii) a statement substantiating the need for the excess reserve level. This information is to be included in the school district's budgetary submission to its county superintendent of schools and was effective commencing the 2015-16 school year.

A second provision of SB 858 adds section 42127.01 to the Education Code that voters approved in November 2014. This provision provides that in any Fiscal Year immediately after a Fiscal Year in which a transfer is made by the State to the "rainy day fund," a school district may not adopt a budget that contains

a reserve in excess of twice the applicable minimum reserve amount. A county superintendent may grant a school district an exemption from the limitation on reserves for up to two consecutive Fiscal Years if the school district provides documentation indicating that “extraordinary fiscal circumstances” substantiate the need for a higher ending balance. Section 42127.01 became operative on December 15, 2014.

In any Fiscal Year following a year in which the State has made a transfer into the Public School System Stabilization Account (the “PSSSA”) and all other applicable conditions have been satisfied, the combined unassigned and assigned ending fund balance in any budget adopted or revised by a school district may not be (i) more than two times the amount of the minimum recommended reserve specified under the Education Code for school districts with an ADA of less than 400,000 or (ii) more than three times the amount of the minimum recommended reserve specified under the Education Code for school districts with an ADA of 400,000 or greater. Further, a county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive Fiscal Years within a three-year period if certain extraordinary fiscal circumstances exist.

The Participant is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

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

**2025-26 State Budget.** On June 27, 2025, Governor Newsom signed into law the Fiscal Year 2025-26 State Budget (the “2025-26 Budget”). The 2025-26 Budget totals approximately \$321 billion, including \$228.3 billion of general fund spending. The 2025-26 Budget estimates that the State is facing an approximate \$11.8 billion General Fund shortfall, which is primarily led by increased costs and case load growth to core State programs like Medi-Cal. Revenue forecasts remain volatile and are generally impacted by federal policy changes, including potential broad-based federal tariffs. The 2025-26 Budget addresses the shortfall through a range of solutions including: (i) reductions to ongoing programs (\$2.8 billion in total solutions in Fiscal Year 2025-26 and \$11.9 billion by Fiscal Year 2028-29); (ii) additional revenue sources and internal borrowing (\$7.8 billion in total solutions in Fiscal Year 2025-26); and (iii) fund shifts (\$1.2 billion in total solutions in Fiscal Year 2025-26). The 2025-26 Budget reflects a combined reserve balance of \$15.7 billion, while maintaining a scheduled \$7.1 billion withdrawal from the Budget Stabilization Account (the “Rainy Day Fund”). The Rainy Day Fund will retain \$11.2 billion and the State’s discretionary reserve account will retain \$4.5 billion (also referred to as the Special Fund for Economic Uncertainties).

**TK-12 Funding and Proposition 98 Guarantee.** The 2025-26 Budget includes total funding of \$137.6 billion (\$80.5 billion General Fund and \$57.1 billion other funds) for all TK-12 education programs. The 2025-26 Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, TK, nutrition, and preschool. Proposition 98 funding for Fiscal Year 2025-26 is approximately \$114.6 billion for TK-12 public schools and community college districts.

The 2025-26 Budget revises estimates of General Fund revenues so that the Proposition 98 guarantee for TK-14 schools is calculated to be \$98.5 billion in Fiscal Year 2023-24, \$119.9 billion in Fiscal

Year 2024-25, and \$114.6 billion in Fiscal Year 2025-26. These revised Proposition 98 levels represent an increase of approximately \$3.9 billion over the three-year period relative to the 2024 Budget Act.

To mitigate the risk of potentially appropriating more resources to the Proposition 98 guarantee than are available in the final calculation for Fiscal Year 2024-25, the 2025-26 Budget appropriates the Fiscal Year 2024-25 Proposition 98 guarantee at \$118 billion, instead of the currently calculated level of \$119.9 billion. The difference between the appropriated and the calculated levels (referred to as “settle up”) is \$1.9 billion. The Fiscal Year 2024-25 Proposition 98 guarantee level will not be finalized until that fiscal year is certified—a process that will occur throughout 2026.

The Proposition 98 guarantee is in Test 2 for Fiscal Year 2023-24 (although suspended at \$98.5 billion) and continues to be in Test 1 for Fiscal Years 2024-25 and 2025-26. The funding level of the Proposition 98 guarantee for Fiscal Years 2024-25 and 2025-26 is equal to roughly 40% of General Fund revenues, plus local property tax revenues.

The Proposition 98 guarantee is “rebenched” to reflect the continued implementation of universal TK and property tax backfills related to the January 2025 fires in the County of Los Angeles. The resulting Test 1 percentage is then “rebenched” to increase the percentage of General Fund revenues due to the guarantee, from 39.2% to 39.6%.

*Rainy Day Fund.* The 2025-26 Budget maintains the withdrawal of the full \$8.4 billion balance in the Public School System Stabilization Account (“PSSSA”) (the “rainy-day” fund used to lessen the impact of State revenue volatility on K-12 schools and community colleges) in Fiscal Year 2023-24. The May Revision included a mandatory deposit into the PSSSA of \$540 million in Fiscal Year 2024-25. Adjustments in capital gains revenues for the final 2025-26 Budget are projected to reduce the mandatory deposit in Fiscal Year 2024-25 to \$455 million. Additionally, a year-over-year decrease in the Proposition 98 guarantee triggers a mandatory withdrawal of \$455 million in Fiscal Year 2025-26, exhausting the remaining PSSSA balance.

*Proposition 98 Funding Split.* In prior years, 10.93% of the amount of General Fund rebenched into the Proposition 98 guarantee for the cost of TK expansion was added to the community colleges budget. Over the three-year budget window, this resulted in \$492.4 million in increased resources for community colleges, and a like amount of funding that has not been available for TK-12 schools to implement the expansion of TK. Beginning in Fiscal Year 2025-26, the 2025-26 Budget rebenches Proposition 98 for the cost of TK expansion, shifting \$232.9 million in ongoing resources from community colleges to TK-12 schools to ensure that implementation of universal TK does not create a fiscal burden on existing TK-12 programs.

*Local Control Funding Formula.* The 2025-26 Budget includes a LCFF COLA of 2.3% that, when combined with population growth adjustments, increases funds for LEAs by \$2.1 billion. The 2025-26 Budget uses \$405.3 million from the PSSSA to support the overall costs of the LCFF in Fiscal Year 2025-26.

*Deferrals.* Budgetary deferrals of \$246.6 million for TK-12 education from Fiscal Year 2024-25 are fully repaid in Fiscal Year 2025-26. To fully fund the LCFF and maintain the level of Fiscal Year 2025-26 principal apportionments, the 2025-26 Budget defers \$1.9 billion in LCFF funding from June 2026 to July 2026.

Other significant features of the 2025-26 Budget affecting TK-12 public schools include the following:

- ***Universal Transitional Kindergarten.*** In the 2025-26 school year, the 2025-26 Budget provides a total of \$2.1 billion ongoing Proposition 98 General Fund monies (inclusive of all prior years' investments) to support the full implementation of universal TK, so that all children who turn four years old by September 1 can enroll in TK in the 2025-26 school year—providing access to roughly 51,000 additional children over the 2024-25 school year. The 2025-26 Budget also provides an additional \$1.2 billion ongoing Proposition 98 General Fund monies to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.
- ***Before School, After School, and Summer School.*** The 2025-26 Budget provides \$515.1 million ongoing for the full implementation of the Expanded Learning Opportunities Program by increasing the number of elementary schools that offer universal access to students, from all those in LEAs with an unduplicated pupil percentage of 75% to all those in LEAs with 55% unduplicated students. Additionally, the 2025-26 Budget includes \$10.4 million to increase the minimum grant amount from \$50,000 to \$100,000 per LEA. This increase will allow small LEAs to maintain expanded learning programming without redirecting funding from other local programs.
- ***Literacy Instruction.*** The 2025-26 Budget provides \$480 million to support literacy instruction aligned with the English Language Arts/English Language Development (“ELA/ELD”) Framework for all students, including the following investments:
  - \$215 million one-time Proposition 98 General Fund monies to expand the existing Literacy Coaches and Reading Specialists Grant Program.
  - \$200 million one-time Proposition 98 General Fund monies to support evidence-based professional learning for elementary school educators aligned with the ELA/ELD Framework.
  - \$40 million one-time Proposition 98 General Fund monies to support necessary costs, including purchasing screening materials and training for educators, to administer screenings for risk of reading difficulties to all kindergarten through second grade students beginning in the 2025-26 school year.
  - \$15 million one-time Proposition 98 General Fund monies for Literacy and Mathematics Networks, to convene literacy and mathematics lead agencies to support the implementation of evidence-based practices aligned to their respective curriculum frameworks.
  - \$10 million one-time Proposition 98 General Fund monies for a county office of education to partner with the University of California, San Francisco Dyslexia Center to support the Multitudes screener for risk of reading difficulties, which is free to California public schools, and expand capacity for educator support for those schools using Multitudes.
- ***Teacher Preparation and Professional Development.*** The 2025-26 Budget includes multiple investments intended to support teachers and improve access to the educator pipeline:
  - \$300 million one-time Proposition 98 General Fund monies to establish the Student Teacher Stipend Program, which will provide \$10,000 grants to teacher candidates completing the required student teaching hours beginning in the 2026-27 school year, and available through the 2028-29 school year. Of this amount, \$5 million is available to



support a public outreach campaign and a grant management system to facilitate uptake and access to student teacher stipends, teacher residency funds, and national board certification dollars.

- \$70 million one-time Proposition 98 General Fund monies to increase funding for high-quality teacher residency programs.
- \$30 million one-time Proposition 98 General Fund monies to extend the timeline of the existing National Board Certification Incentive Program to support National Board Certified teachers to teach in high poverty schools.
- ***Student Support and Professional Development Discretionary Block Grant.*** The 2025-26 Budget allocates \$1.7 billion one-time Proposition 98 General Fund monies for the Student Support and Professional Development Discretionary Block Grant, to provide LEAs with additional discretionary fiscal support in recognition of rising costs, as well as fund statewide priorities including: (1) professional development for teachers on the ELA/ELD Framework and the Literacy Roadmap, with a focus on strategies to support literacy for English learners; (2) professional development for teachers on the Mathematics Framework; (3) teacher recruitment and retention strategies; and (4) career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education.
- ***State Preschool.*** The 2025-26 Budget provides \$19.3 million Proposition 98 General Fund monies and \$10.2 million non-Proposition 98 General Fund monies for the California State Preschool Program to support the cost of care. Additionally, within existing funding, the 2025-26 Budget includes authority for the Department of Education to do all of the following:
  - Expand State Preschool Program provider contracts to increase enrollment of three-year-olds by 10%.
  - Fund prospective pay for State Preschool Program providers to ensure timely payment of State contract funding.
  - Automate prospective pay for State Preschool Program providers.
- ***Learning Recovery Emergency Block Grant.*** \$378.6 million one-time Proposition 98 General Fund monies to support the Learning Recovery Emergency Block Grant. This block grant supports LEAs in establishing learning recovery initiatives through the 2027-28 school year.
- ***Career Technical Education.*** \$150 million one-time Proposition 98 General Fund monies for career technical education and career pathways programming, subject to pending legislation.
- ***Universal School Meals Support Grant.*** \$145 million one-time Proposition 98 General Fund monies for specialized kitchen equipment, infrastructure, training, and procurement of sustainably grown food to support schools in providing more freshly prepared meals, \$10 million one-time Proposition 98 General Fund monies to recruit and retain school food service workers, and \$5 million one-time Proposition 98 General Fund monies for a study of ultra-processed foods offered in California school meals.
- ***Special Olympics.*** \$30 million one-time Proposition 98 General Fund monies, available over three years, for the Special Olympics of Northern and Southern California.

- ***Mathematics Professional Learning Partnership.*** \$30 million one-time Proposition 98 General Fund monies for the Mathematics Professional Learning Partnership, for the Kern County Superintendent of Schools to support educator training and mathematics coaching in LEAs, including expanding upon collaboration with the Rural Math Collaborative and training mathematics coaches who can be deployed in schools and LEAs with the highest need of support.
- ***Summer Electronic Benefits Transfer (SUN Bucks).*** \$21.9 million in additional ongoing Proposition 98 General Fund monies to support the SUN Bucks Program, which provides nutrition funding to eligible students during the summer months.
- ***Children and Youth Behavioral Health Initiative Grants.*** \$20 million one-time Proposition 98 General Fund monies to support the implementation of the Children and Youth Behavioral Health Initiative's all-payer fee schedule.
- ***Secondary School Redesign Pilot Program.*** \$10 million one-time Proposition 98 General Fund monies for the California Collaborative of Educational Excellence to administer a pilot program to redesign middle and high schools to better serve the needs of all students and increase student outcomes, and to manage a network of grantees to support peer learning and documentation of practices.
- ***English Language Proficiency Screener for TK Students.*** \$10 million one-time Proposition 98 General Fund monies for the statewide use of English language proficiency of a list of one or more screeners to support multilingual learners in TK.
- ***TK Multilingual Learner Supplementary Funding.*** \$7.5 million one-time Proposition 98 General Fund monies, available through Fiscal Year 2026-27, to mitigate reductions in potential LCFF apportionment funding to LEAs resulting from the recent exemption of TK students from the English language proficiency assessment.

***Future Budgets.*** The Participant cannot predict how State income or State education funding will vary over the term of the Certificates, and the Participant takes no responsibility for informing owners of the Certificates as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Future State budgets will be affected by national and State economic conditions, and other factors over which the Participant will have no control. To the extent that the State budget process results in reduced revenues, deferred revenues or increased expenses for the Participant, the Participant will be required to make adjustments to its budget and cash management practices. In the event current or future State Budgets decrease the Participant's revenues or increase required expenditures by the Participant from the levels assumed by the Participant, the Participant will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget" or [www.ebudget.ca.gov](http://www.ebudget.ca.gov). An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). The information referred to is prepared by the respective State agency maintaining each website and not by the Participant, and the Participant can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

The State Constitution requires that from all State revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. As discussed herein, school districts in the State receive a significant portion of their funding from State appropriations. Accordingly, the State's economic condition can affect the economic condition of California school districts.

***Tax Relief for Disasters.*** The Internal Revenue Service ("IRS") and California Franchise Tax Board ("FTB") may grant individuals and businesses additional time to file or pay taxes when a major disaster in their area is declared by the federal or state government. California generally follows the IRS extended deadlines to file and pay taxes. Impacted taxpayers may also be eligible to claim a disaster loss on their tax return.

***California Wildfires and Tax Year (2024) Disasters.*** As announced by Governor Newsom, California individuals and businesses impacted by the January 2025 Los Angeles County fires qualify for an extension to file and pay taxes until October 15, 2025. This includes the following for residents and businesses in Los Angeles County:

- Individuals whose tax returns and payments are normally due on April 15, 2025.
- Quarterly estimated tax payments normally due on January 15, April 15, June 15, and September 15, 2025.
- Business entities whose corporate or pass-through entity tax returns are normally due on March 15 and April 15, 2025.
- Pass-through entity (PTE) elective tax payments normally due on March 15 and June 15, 2025.
- Tax-exempt organization returns normally due on May 15, 2025.

The Participant is unable to predict whether the tax return filing and payment extensions will have a material adverse effect on the financial condition of the local economy.

The Participant experienced declining attendance as a result of the 2025 Los Angeles County fires. The resulting loss in revenue has been incorporated into the Participant's Fiscal Year 2025-26 budget, and the Participant has submitted an application for a waiver to the State which, if approved, will provide additional revenue to the Participant. In addition, the Participant accommodated the enrollment of more than 100 students who were displaced by the fires. Of these, approximately 55 students continue to be enrolled this year. Revenue and expense increases resulting from these new enrollments have been incorporated into budget projections and cash flows.

## **Federal Revenues**

The federal government provides funding for several programs of the Participant, including programs that benefit educationally disadvantaged students and students with limited English skills, and that provide other specialized services to students and administration. The Participant is unable to predict variations in the amount and types of federal funding for such programs during any Fiscal Year.

On January 27, 2025, the Office of Management and Budget ("OMB") issued a memorandum directing federal agencies to temporarily pause all activities related to the obligation or disbursement of federal financial assistance, and other relevant activities, that may be implicated by recent executive orders issued under the Trump Administration. On January 29, 2025, OMB rescinded the memorandum. Following the rescission, the White House press secretary noted that the rescission of the memorandum was "[not] a rescission of the federal funding freeze." The U.S. Department of Education released a letter,

dated February 14, 2025, notifying schools and colleges to eliminate diversity, equity, and inclusion programs and initiatives by the end of the month or risk losing federal funding.

The Participant's budget and receipt of federal funding may be further impacted by the executive order signed by President Trump on March 20, 2025 to begin dismantling the U.S. Department of Education. No representation can be made that the Participant will continue to receive or be eligible for federal funding of education programs, including as a result of current efforts and proposals to reduce the size of the federal workforce, eliminate government programs and/or eliminate or merge governmental agencies. The Participant is unable to predict the extent of such impact at this time and whether any such impact will materially affect its finances and operations.

### **Financial Statements and Accounting Practices**

The Participant's 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.

Funds and Account Groups used by the Participant are categorized as follows:

Government Funds

General Funds  
Special Revenue Funds  
Debt Service Funds  
Proprietary Funds  
Internal Service Funds  
Enterprise Funds

Fiduciary Funds

Trust and Agency Funds

Account Groups

General Fixed Assets Account Group  
General Long-Term Debt Account

Expenditures of the Participant are accrued at the end of each Fiscal Year to reflect the receipt of goods and services in that Fiscal Year. Generally, revenues are recorded on a cash basis, except for items that are susceptible to accrual, measurable and/or available to finance operations. Current taxes are considered susceptible to accrual. Taxes which are due but are not in fact received until after the Fiscal Year-end are recorded as accrued revenues. The State Department of Education establishes expenditure categories for all California school districts and boards of education.

The general fund of the Participant, as shown in Appendix A, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the Participant 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 the Participant using information from the Annual Financial Reports which are prepared by the Director of Accounting for the Participant and audited by independent certified public accountants each year. Certain information, such as the General Fund Cash Flow Analyses, was developed by the Participant's staff for use in this Official Statement. The estimates and timing of receipts and disbursements in such Cash Flow Analyses are based on certain assumptions and should not be construed as statements of fact. The audited financial statements of the Participant for Fiscal Years 2021-22, 2022-23 and 2023-24 along with certain other information pertaining to the Participant is available at the following web address: <https://www.lacoe.edu/services/business/bas/pooled-financing>, and are summarized in Appendix A.

## Retirement Systems

*The following information on CalPERS and CalSTRS (as defined below) has been obtained from publicly available sources and has not been independently verified by the Participant, is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the Participant, the Underwriter or the Municipal Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent losses on investments made by the retirement systems generally may have increased the unfunded actuarial accrued liabilities stated below.*

The assets and liabilities of the funds administered by CalPERS and CalSTRS, as well as certain other retirement funds administered by the State, are included in the financial statements of the State for the year ended June 30, 2024, as fiduciary funds. Both CalPERS and CalSTRS have unfunded actuarial accrued liabilities in the tens of billions of dollars. The amount of unfunded actuarially accrued liability will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

CalSTRS and CalPERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275 and copies of the CalPERS annual financial report and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information presented in these reports is not incorporated by reference in this Official Statement.

**CalSTRS.** The Participant participates in the California State Teachers' Retirement System ("CalSTRS"). CalSTRS is a defined benefit plan that covers all full-time certificated employees and some classified employees, which are employees employed in a position that does not require a teaching credential from the State. CalSTRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "CalSTRS Defined Benefit Program"). The CalSTRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. CalSTRS is operated on a Statewide basis and, based on publicly available information, has substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.

As part of the 2014-15 State Budget, the State Legislature enacted AB 1469 (Chapter 47, Statutes of 2014) ("AB 1469"), a comprehensive funding solution intended to eliminate the projected CalSTRS unfunded liability on the CalSTRS Defined Benefit Program by 2046. Under AB 1469, the funding plan began in Fiscal Year 2014-15 and will be phased in over several years. The employer contribution rate increased by 1.85% of covered payroll annually beginning July 1, 2015 and will continue to increase until the employer contribution rate is 19.10% of covered payroll. Beginning in Fiscal Year 2021-22 through Fiscal Year 2045-46, AB 1469 authorizes the CalSTRS Board to adjust the employer contribution up or down 1 percentage point each year, but no higher than 20.25% total and no lower than 8.25%, to eliminate the remaining unfunded obligation that existed on July 1, 2014.

In addition, the CalSTRS Board is authorized to modify the percentages paid by employers and employees for Fiscal Year 2021-22 and each Fiscal Year thereafter in order to eliminate CalSTRS' unfunded liability by June 30, 2046 based upon actuarial recommendations. The CalSTRS Board would also have the authority to reduce employer and State contributions if they are no longer necessary.

In January 2024, the CalSTRS Board adopted a new set of actuarial assumptions based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2007, through June 30, 2022) (the “2024 Experience Analysis”), which established several changes to demographic and economic assumptions, including: (i) decreasing the payroll growth assumption from 3.50% to 3.25% and (ii) changing mortality assumptions, including an update in the mortality improvement scale used to project future life expectancies to reflect more current trends. The 2024 Experience Analysis projects that such changes would contribute to a 1.1% increase in the funded ratio as of June 30, 2023, an increase in the unconstrained employer contribution rate and a decrease in the unconstrained State contribution rate, as compared to prior assumptions. Unconstrained contribution rates are the actuarially calculated rates before any limits to changes are applied and do not reflect the CalSTRS Board’s ability to maintain State and employer contribution rates that are greater than the actuarially calculated rates. The 2024 Experience Analysis does not expect any impact on member contribution rates as a result of adopting such new assumptions. The assumptions and methods that remain unchanged in the 2024 Experience Analysis include: use of the “Entry Age Cost Method” to measure accruing costs of benefits with future accruals; a 7.00% investment rate of return (net of investment and administrative expenses); a 3.00% interest on member accounts; and a projected 3.50% general wage growth, of which 2.75% is due to inflation and 0.75% is due to expected gains in productivity. The assumptions and methods set forth in the 2024 Experience Analysis are reflected in the CalSTRS Defined Benefit Program Actuarial Valuation, as of June 30, 2024 (the “2024 CalSTRS Actuarial Valuation”).

The 2024 CalSTRS Actuarial Valuation reports that the unfunded actuarial obligation increased by approximately \$2.08 billion since the CalSTRS Defined Benefit Program Actuarial Valuation as of June 30, 2023 (the “2023 CalSTRS Actuarial Valuation”) and the funded ratio increased by 0.8% to 76.7% over such time period. The increase in the funded ratio is due to the expected year-to-year change as a result of contributions to pay down the unfunded actuarial obligation along with other positive factors.

According to the 2024 CalSTRS Actuarial Valuation, the future revenues from contributions and appropriations for the CalSTRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations, and the unfunded actuarial obligation is projected to be amortized by June 30, 2043, three years ahead of the end of the funding plan in 2046, with a projected ending funded ratio of 100.7%. This finding assumes that the CalSTRS Board continues its practice of maintaining State and employer contribution rates at the current level until the associated unfunded actuarial obligation is paid off, a 7.00% investment rate of return and the future recognition of the currently deferred asset gains.

The actuary for the CalSTRS Defined Benefit Program notes in the 2024 CalSTRS Actuarial Valuation that the increase in unfunded actuarial obligation represents a net actuarial loss of \$3.089 billion since the unfunded actuarial obligation was expected to be \$85.580 billion based on the 2023 CalSTRS Actuarial Valuation. Although the 2024 CalSTRS Actuarial Valuation notes that the current assumptions underlying the results of the actuarial valuation provide a reasonable estimate of future expectations, future experience can differ from such assumptions to some extent. There are a number of factors that affect future valuation results, and differences between actual experience and assumption for these factors will likely cause increases or decreases in the plan’s future funding level and calculated supplemental contribution rates. Of such factors, the one with the greatest potential risk is future investment returns, while payroll variation can also have a significant impact on valuation results.

On July 29, 2022, CalSTRS reported a negative 1.3% net return on investments for Fiscal Year 2021-22, which was CalSTRS’ first negative return on investments since Fiscal Year 2008-09. The negative 1.3% net return on investments was less than the assumed annual rate of return on investments of 7.00%. As noted in the CalSTRS 2023 Review of Funding Levels and Risks, presented to the CalSTRS Board on November 2, 2023, CalSTRS earned just below its assumed rate of return of 7.00% for Fiscal Year 2022-23 with a 6.3% time-weighted investment return. For Fiscal Year 2023-24 and Fiscal Year

2024-25, CalSTRS reported net returns on investments of 8.4% and 8.5%, respectively. However, persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The Participant cannot predict the impact of State, national, and international events on investment returns and employer contribution rates or the amount the Participant will be required to pay for pension related costs. Accordingly, there can be no assurances that the Participant's required contributions to CalSTRS will not significantly increase in the future.

The employer contribution rate for Fiscal Year 2024-25 was 19.10%. The contribution rate for Fiscal Year 2025-26 remains at 19.10%.

**CalPERS.** The Participant also participates in the State Public Employees' Retirement System ("CalPERS"). CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS (the "CalPERS Board").

Active plan miscellaneous members hired on or before December 31, 2012 are required to contribute 7.0% of their monthly salary and those hired on or after January 1, 2013 are required to contribute 8.0% of their monthly salary (effective July 1, 2022). The required contribution rate is the difference between the actuarially determined rate and the contribution rate of employees. The actuarial methods and assumptions used for determining the rates are based on those adopted by the CalPERS Board. School districts are currently required to contribute to CalPERS at an actuarially determined rate, which was 11.847%, 13.888% and 15.531% of eligible salary expenditures for Fiscal Years 2015-16, 2016-17 and 2017-18 respectively, 18.062% of eligible salary expenditures for Fiscal Year 2018-19 and 19.721% of eligible salary for Fiscal Year 2019-20. The Fiscal Year 2020-21 State Budget redirected State funding paid to CalPERS in Fiscal Year 2019-20 towards long-term unfunded liabilities to reduce employer contribution rates in Fiscal Years 2020-21 and 2021-22. As a result, the CalPERS employer contribution rate was 20.7% in Fiscal Year 2020-21 and 22.91% in Fiscal Year 2021-22. The State's supplanting payments made under this redirection of funding expired at the end of Fiscal Year 2021-22. The CalPERS employer contribution rates were 25.37% for Fiscal Year 2022-23 and 26.68% for Fiscal Year 2023-24, and 27.05% for Fiscal Year 2024-25.

According to the CalPERS Schools Pool Actuarial Valuation as of June 30, 2023 (the "2023 CalPERS Schools Pool Actuarial Valuation") for the CalPERS Schools Pool Plan, the actuarial funding method used was the "Entry Age Actuarial Cost Method." The 2023 CalPERS Schools Pool Actuarial Valuation assumed, among other things, 2.30% inflation and payroll growth of 2.80% compounded annually. The 2023 CalPERS Schools Pool Actuarial Valuation reflects a discount rate of 6.80% compounded annually (net of investment and administrative expenses) as of June 30, 2023.

According to the 2023 CalPERS Schools Pool Actuarial Valuation, the funded ratio is 67.5% on a market value of assets basis, demonstrating a decrease of 0.4% from the funded ratio of 67.9% reported in the CalPERS Schools Pool Actuarial Valuation as of June 30, 2022 (the "2022 CalPERS Schools Pool Actuarial Valuation"). This decrease is mainly due to salary increases in Fiscal Year 2022-23 being higher than expected. In the 2023 CalPERS Schools Pool Actuarial Valuation, the contribution rate for Fiscal Year 2025-26 is projected to be 27.6%, the contribution rate for Fiscal Year 2026-27 is projected to be 28.0%, the contribution rate for Fiscal Year 2027-28 is projected to be 29.2%, the contribution rate for Fiscal Year 2028-29 is projected to be 29.0%, and the contribution rate for Fiscal Year 2029-30 is projected to be 28.8%. The projected contribution rates in the 2023 CalPERS Schools Pool Actuarial Valuation assume all actuarial assumptions will be realized, including an investment return of 6.80% per year beyond

June 30, 2023, and that no changes to assumptions, methods or benefits will occur during the projection period.

The 2022 CalPERS Schools Pool Actuarial Valuation noted that the investment return for Fiscal Year 2021-22 was negative 6.1% (net of investment expenses but before netting administrative expenses), which was lower than the assumed annual rate of return on investments of 6.8% and was CalPERS' first negative return on investments since Fiscal Year 2008-09. The 2023 CalPERS Schools Pool Actuarial Valuation notes a net investment return of 5.8% for Fiscal Year 2022-23, which is lower than the assumed annual rate of return of 6.8% but an improvement from the Fiscal Year 2021-22 negative return rate. On July 15, 2024, CalPERS reported a preliminary net return of 9.3% on its investments for the 12-month period ending June 30, 2024, which exceeded the assumed annual rate of return on investments of 6.8%. However, persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The Participant cannot predict the impact of State, national, and international events on investment returns and employer contribution rates. Accordingly, there can be no assurances that the Participant's required contributions to CalPERS will not significantly increase in the future.

On April 15, 2025, the CalPERS Board adopted an employer contribution rate of 26.81% for Fiscal Year 2025-26. The CalPERS Schools Pool Actuarial Valuation as of June 30, 2024 report is expected to be completed and released later this year. The additional information provided in the report will include details on assumptions, methods, and participant data.

On July 14, 2025, CalPERS reported a preliminary net investment return of 11.6% for Fiscal Year 2024-25.

***California Public Employees' Pension Reform Act of 2013.*** The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "Reform Act" or "PEPRA") into law on September 12, 2012. The Reform Act affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the "Implementation Date"). As it pertains to CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age, increasing the eligibility for the 2% "age factor" (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. For non-safety CalPERS 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 also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

The Reform Act also implements certain other changes to CalPERS and CalSTRS including the following: (a) all new participants enrolled in CalPERS and CalSTRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalSTRS and CalPERS are both required 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 CalSTRS members who retire with 25 years of service), and (c) "pensionable compensation" is capped 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 CalSTRS and CalPERS members not participating in social security.

***GASB Statements 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. 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 Participant, took effect for the Fiscal Year beginning July 1, 2014.

***GASB Statement 75.*** In June 2015, the Governmental Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" ("GASB 75"), which revised and established new accounting and financial reporting requirements for state and local governments, such as the Participant that offer other post-employment benefits ("OPEB") to employees. Pursuant to GASB 75, net OPEB liabilities are required to be recognized in the financial statements for such state and local governments. In addition, GASB 75 provides additional guidance with respect to recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 directs the use of "entry age normal" as the actuarial cost allocation method to be used and the various procedures, assumptions and discount rates to be used in connection with the calculation of liabilities. In connection therewith, states and local governments that do not pre-fund their respective OPEB obligations may report increased liabilities. GASB 75, among other things, requires additional note disclosures and the presentation of required supplementary information in financial statements.

## **Reports and Certifications**

**General.** The Education Code of the State of California (Section 42133 *et seq.*) requires each school district to certify twice during the Fiscal Year whether or not it is able to meet its financial obligations for the remainder of such Fiscal Year, and, based on current forecasts, for the subsequent Fiscal Year. The first report covers the period ending October 31 and the second report covers the period ending January 31. Such certifications are based on the governing board's assessment based on standards and criteria for fiscal stability adopted by the State Board of Education and the State Superintendent of Public Instruction. Each certification is required to be classified as positive, qualified, or negative on the basis of a review of the respective report against such criteria, but may include additional financial information known by the governing board to exist at the time of each certification. Such certifications are to be filed with the Los Angeles County Superintendent of Schools ("County Superintendent") within forty-five days after the close of the period being reported and, in the event of a negative or qualified certification, to the State Controller and the State Superintendent of Public Instruction. A qualified certification is to be assigned to any school district that based upon then current projections may not meet its financial obligations for the current Fiscal Year or the two subsequent Fiscal Years.

A negative certification is to be assigned to any school district that likely will be unable to meet its financial obligations for the remainder of the Fiscal Year or for which existing expenditure practices jeopardize the ability of the district to meet its multi-year financial commitments.

In connection with each interim report, each school district submits a multi-year projection for the current Fiscal Year and the following two Fiscal Years to its respective county office of education and the SDE. The projections are based upon guidelines established by their respective county offices of education and information available to such school district as of the date the projection is submitted.

A qualified certification is to be assigned to any school district that may not meet its financial obligations for the current Fiscal Year or the two subsequent Fiscal Years based upon then current projections. A negative certification is to be assigned to any school district that likely will be unable to meet its financial obligations for the current Fiscal Year or the following Fiscal Year. Any school district or office of education that has a qualified or negative certification in any Fiscal Year may not issue, in that Fiscal Year or in the next succeeding Fiscal Year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district unless the County Superintendent determines that the school district's repayment of indebtedness is probable.

Copies of the reports and certifications of the Participant may be obtained upon request from the Participant at the address set forth in Appendix A hereto. The Participant may impose charges for copying, mailing and handling these reports and certifications.

Fiscal Year 2024-25 First and Second Interim Report Certifications. The Participant was assigned positive certifications with respect to its Fiscal Year 2024-25 First and Second Interim Reports.

### **Budget of Participant**

The Fiscal Year of the Participant begins on the first day of July of each year and ends on the 30th day of June of the following year. The Participant adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the Fiscal Year can be adjusted if revenues do not meet projections.

The Participant is required by provisions of the Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State, and the Board of Governors of the California Community Colleges imposes a uniform budgeting format for each community college district in the State.

### **State Emergency Loan Program**

The Education Code provides that a governing board of any county board of education or school district which determines during a Fiscal Year that its revenues are less than the amount necessary to meet its current year expenditure obligations may request an emergency apportionment from the State through the State Superintendent of Public Instruction (the "State Superintendent").

As a condition to the making of any such emergency apportionment, the following requirements must be met:

- (a) The district requesting the apportionment must submit to the county superintendent of schools having jurisdiction over the district a report issued by an independent auditor approved by the county superintendent of schools on the financial conditions and budgetary controls of the district, a written management review conducted by a qualified management consultant approved by the county superintendent of schools and a fiscal plan adopted by the governing board to resolve the financial problems of the district.

(b) The county superintendent of schools must review, and provide written comment on, the independent auditor's report, the management review and the district plan. If the county superintendent disapproves the plan, the governing board must revise the district plan to respond to the concerns expressed by the county superintendent.

(c) Upon his or her approval of the district plan, the county superintendent must submit copies of the report, review, plan and written comments to the State Superintendent, the Auditor General, the Joint Legislative Budget Committee, the Director of Finance and the Controller.

(d) The State Superintendent must review the reports and comments submitted to him or her by the county superintendent and must certify to the Director of Finance that the action taken to correct the financial problems of the district is realistic and will result in placing the district on a sound financial basis.

(e) The district must develop a schedule to repay the emergency loan and submit it to the county superintendent of schools, who after reviewing and commenting on it submits it to the State Superintendent for approval or disapproval. Upon the approval of the repayment schedule and of the other reports, reviews, plans and the appointment of the trustee (as described below), the State Superintendent must request the State Controller to disburse the proceeds of the emergency loan to the district.

(f) The district requesting the apportionment must reimburse the county superintendent of schools for the costs incurred by the superintendent in performing such duties.

In addition, the acceptance by the district of the apportionments made pursuant to the Education Code constitutes the agreement by the district to the following conditions:

(i) The State Superintendent shall appoint a trustee who shall have recognized expertise in management and finance. The State Superintendent shall establish the terms and conditions of the employment, including the remuneration of the trustee and the trustee shall serve at the pleasure of, and report directly to, the State Superintendent until the loan is repaid and the district has adequate fiscal systems and controls in place. Before the district repays its loan, the recipient of the loan shall select an auditor from a list established by the State Superintendent and the Controller to conduct an audit of its fiscal systems. If the fiscal systems are deemed to be inadequate, the State Superintendent may retain the trustee until the deficiencies are corrected.

(ii) The trustee appointed by the State Superintendent shall monitor and review the operation of the district. During the period of his or her service, the trustee may stay or rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district. The trustee shall approve or reject all reports and other materials required from the district as a condition of receiving the apportionment.

On or before October 31 of the year following receipt of an emergency apportionment, and each year thereafter, until the emergency apportionment is repaid, the governing board of the district shall prepare under the review and with the approval of the trustee, a report on the financial condition of the district which shall be transmitted to the county superintendent of schools, the State Superintendent and the State Controller. The report shall include all of the following information: (i) specific actions taken to reduce expenditures or increase income, and the cost savings and increased income resulting from those actions; (ii) a copy of the adopted budget for the current Fiscal Year; (iii) reserves for economic uncertainties; (iv) status of employee contracts; and (v) obstacles to the implementation of the adopted recovery plan.

The emergency apportionment is required to be repaid to the State over a five-year period, or less, together with interest at a rate determined in accordance with the Education Code.

The State Legislature expressly provides that these provisions of the Education Code are not intended to authorize emergency loans to school districts for the purpose of meeting cash-flow requirements pending the receipt of local taxes and other funds. Furthermore, no such emergency apportionment be made unless funds have been specifically appropriated therefor by the Legislature.

The Participant is not currently participating in the State emergency loan program.

### **State Lottery**

The State Lottery generates net revenues (gross revenue less prizes and administration expenses) which are used to supplement State assistance provided to public education, including K-14. State Lottery funds may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. State Lottery revenues are allocated by computing an amount per total ADA or full-time equivalent Students (“FTES”), *i.e.*, by dividing the total net revenues figures by the total ADA for grades K-12 and California community colleges, and by the total FTES for each University of California system and California State University and College system. Each entity receives an amount equal to its total ADA or FTE, as applicable, multiplied by the per ADA or FTES figure; however, the exact allocation formula may vary from year to year. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

### **Insurance**

The Participant 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 educational agencies. In addition, based upon prior claims experience, the Participant believes that the recorded liabilities for self-insured claims are adequate.

## **OTHER RISK FACTORS**

### **Natural Hazards**

The Participant, like all California school districts, may be subject to unpredictable seismic activity, fires or floods. In the event of potential natural disasters, including wildfire, flooding, seismic, tsunami events, there may be significant damage to the Participant’s property and infrastructure. The Participant cannot predict the occurrence of a natural disaster or, what impacts any such natural disaster may have on its financial condition and operations.

The change in the Earth’s average atmospheric temperature, generally referred to as “climate change,” is expected to, among other things, increase the frequency of extreme weather events. The direct risks posed by climate change currently include or are expected to include more extreme heat events, increased incidence of wildfire and drought, rising sea levels, changes in precipitation levels, and more intense storms. As greenhouse gas emissions continue to accumulate, climate change will intensify and increase the frequency of such extreme weather events. One or more of such extreme weather events could negatively impact the Participant’s financial condition and operations. The Participant cannot predict the timing, extent, or severity of climate change and its impact on the Participant.

The Participant may be particularly vulnerable to impacts associated with sea level rise and erosion due to its proximity to the coastline. A wide range of critical infrastructure, such as roads, airports, hospitals, schools, emergency facilities, wastewater treatment plants, and ports is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs. The Participant is unable to predict whether sea level rise, erosion or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the financial condition of the Participant and the local economy.

## **Cybersecurity**

The Participant, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the Participant may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the Participant's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. No assurance can be given that the Participant's current efforts to manage cyber threats and security will, in all cases, be successful. The Participant cannot predict what future cybersecurity events may occur and what impact said events could have on its operations or finances.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

### **Article XIII A of the California Constitution**

Article XIII A of the California Constitution limits the amount of any ad valorem tax on real property, to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote (see the sub-caption "-- Proposition 39" below). Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Other amendments to the California Constitution have implemented and modified limits on reassessment of property value upon transfers. Most recently, Proposition 19 limits people who inherit family properties from keeping a low property tax base resulting from the 2% restriction on increases, unless they use the home as their primary residence, but it also allows homeowners who are over 55 years of age, disabled, or victims of a wildfire or natural disaster to transfer their assessed value of their primary home to a newly purchased or newly constructed replacement primary residence up to three times.

## **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 one percent 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 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

## **Article XIII B of the California Constitution**

Under Article XIII B of the California State Constitution state and local government entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriations of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

## **Unitary Property**

AB 454 (Chapter 921, Statutes of 1986) now Section 100 of the California Revenue and Taxation Code provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the 1988-89 Fiscal Year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

## **Proposition 39**

On November 7, 2000, California voters approved Proposition 39, called the “Smaller Classes, Safer Schools and Financial Accountability Act” (the “Smaller Classes Act”) which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California

Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The local school jurisdictions affected by this proposition are K-12 school districts, including the Participant, 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, such that property taxes could 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% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for “the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities,” (2) a list of projects to be funded and a certification that the school district board has evaluated “safety, class size reduction, and information technology needs in developing that list” and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

The Legislature enacted AB 1908, Chapter 44 (“AB 1908”), which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply to any bond proposition: (1) for a school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. Finally, AB 1908 requires that a citizens’ oversight committee be appointed to review the use of the bond funds and inform the public about their proper usage.

#### **Proposition 46**

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

#### **Proposition 218**

On November 5, 1996, an initiative to amend the California Constitution known as the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by a majority of California voters. Proposition 218 requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as “general taxes” (defined as those used for general governmental purposes) or “special taxes” (defined as taxes for a specific purpose even if the revenues flow through the local government’s general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The Participant has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 2/3 of the Participant's voters. Under previous law, the Participant could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the Participant to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the Participant will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the Participant's ability to pursue voter approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. Proposition 218, by its terms, is inapplicable to short-term notes such as the Note. The Participant is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

### **Proposition 1A**

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend State mandates affecting cities, counties and special districts, schools



or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

### **Proposition 30 and Proposition 55**

The passage of the Governor's November Tax Initiative ("Proposition 30") on November 6, 2012 ballot resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first \$250,000 in income and on couples after their first \$500,000 in earnings. These increased tax rates affect approximately 1% of California personal income tax filers and went into effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The LAO estimated that, as a result of Proposition 30, additional state tax revenues of about \$6 billion annually from Fiscal Years 2012–13 through 2016–17 would be received by the State with lesser amounts of additional revenue available in Fiscal Years 2017–18, and 2018–19. These additional monies prevented certain "trigger cuts" included in the 2012-13 State Budget. Proposition 30 also placed into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Among other things, Proposition 30 provides for additional tax revenues aimed at balancing the State's budget through Fiscal Year 2018–19, providing several billion dollars annually through Fiscal Year 2018–19 available for purposes including funding existing State programs, ending K–14 education payment delays, and paying other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the majority of the additional revenue coming from the personal income tax rate increases on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers could impact potential State revenue and complicate State budgeting in future years. After the proposed tax increases expire, the loss of the associated tax revenues could also create additional budget pressure in subsequent years.

New revenues generated from Proposition 30 are deposited into a newly created State account called the Education Protection Account ("EPA"). School districts, county offices of education, and charter schools ("LEAs") will receive funds from the EPA based on their proportionate share of the Statewide revenue limit amount. A corresponding reduction is made to an LEA's revenue limit equal to the amount of their EPA entitlement. LEAs receive EPA payments quarterly, which began with the 2013-14 Fiscal Year. Beginning Fiscal Year 2013-14, the California Department of Education will allocate EPA revenues on a quarterly basis through the Fiscal Year 2018-19. Payments will equal 25% of the annual EPA entitlement and future payments may be adjusted for ADA changes and previous over and under payments of EPA funds.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Tax revenue received under Proposition 55 is allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales tax rate increase enacted under Proposition 30.

### **Proposition 2**

Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act ("Proposition 2") was approved by California voters on November 4, 2014. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the State's

Budget Stabilization Account (the “Stabilization Account”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Commencing in Fiscal Year 2015-16 and for each Fiscal Year thereafter, the State is required to make an annual transfer to the Stabilization Account in an amount equal to 1.5% of estimated State general fund revenues (the “Annual Stabilization Account Transfer”). For a Fiscal Year in which the estimated State general fund revenues allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues, supplemental transfers to the Stabilization Account (a “Supplemental Stabilization Account Transfer”) are also required. Such excess capital gains taxes, which are net of any portion thereof owed to K-14 school districts pursuant to Proposition 98, are required to be transferred to the Stabilization Account.

In addition, for each Fiscal Year, Proposition 2 increases the maximum size of the Stabilization Account to 10% of estimated State general fund revenues. Such excess amounts are to be expended on State infrastructure, including deferred maintenance, in any Fiscal Year in which a required transfer to the Stabilization Account would result in an amount in excess of the 10% threshold. For the period from Fiscal Year 2015-16 through Fiscal Year 2029-30, Proposition 2 requires that half of any such transfer to the Stabilization Account (annual or supplemental), shall be appropriated to reduce certain State liabilities, including repaying State interfund borrowing, reimbursing local governments for State mandated services, making certain payments owed to K-14 school districts, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. After Fiscal Year 2029-30, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the Stabilization Account to the reduction of such State liabilities and any amount not so applied shall be transferred to the Stabilization Account or applied to infrastructure, as set forth above.

Accordingly, the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the Stabilization Account are impacted by Proposition 2. Unilateral discretion to suspend transfers to the Stabilization Account are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the Stabilization Account for any reason, as was previously provided by law. Instead, the Governor must declare a “budget emergency” (defined as an emergency within the meaning of Article XIII B of the Constitution) or a determination that estimated resources are inadequate to fund State general fund expenditure, for the current or ensuing Fiscal Year, at a level equal to the highest level of State spending within the three immediately preceding Fiscal Years, and any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the Stabilization Account are limited to the amount necessary to address the budget emergency, and no draw in any Fiscal Year may exceed 50% of the funds on deposit in the Stabilization Account, unless a budget emergency was declared in the preceding Fiscal Year.

Proposition 2 also provides for the creation of a Public School System Stabilization Account (the “Public School System Stabilization Account”) into which transfers will be made in any Fiscal Year in which a Supplemental Stabilization Account Transfer is required, requiring that such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. Transfers to the Public School System Stabilization Account are only to be made if certain additional conditions are met, including that: (i) the minimum funding guarantee was not suspended in the immediately preceding Fiscal Year, (ii) the operative Proposition 98 formula for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the Fiscal Year in which a Public School System Stabilization Account transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is higher than the immediately preceding Fiscal Year, as adjusted for ADA growth and cost of living.

Under Proposition 2, the size of the Public School System Stabilization Account is capped at 10% of the estimated minimum guarantee in any Fiscal Year, and any excess funds must be paid to K-14 school districts. Any reductions to a required transfer to, or draws upon, the Public School System Stabilization Account, are subject to the budget emergency requirements as described above. However, in any Fiscal Year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living, Proposition 2 also mandates draws on the Public School System Stabilization Account.

## **Proposition 22**

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, 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. 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.

## **Proposition 2 (2024)**

The Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair and Safety Bond Act of 2024 (also known as Proposition 2 and referred to herein as "Proposition 2 (2024)") is a voter initiative that was approved by voters on November 5, 2024. Proposition 2 (2024) authorizes the sale and issuance of \$10 billion in general obligation bonds for the repair, upgrade, and construction of facilities at K-12 public schools (including charter schools), community colleges, and career technical education programs, including for the improvement of health and safety conditions and classroom upgrades.

**K-12 School Facilities.** Proposition 2 (2024) includes \$3.3 billion for the new construction of K-12 facilities and an additional \$4 billion for the modernization of existing K-12 facilities, up to 10% of each allocated amount to be reserved for small school districts with an enrollment of fewer than 2,501 students. Of the \$4 billion available in modernization funds, up to \$115 million is available to be used for reducing lead levels in water at school facilities. Generally, 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. However, some school districts that have lower assessed property values and meet certain other socio-economic criteria will be required to pay as low as 45% and 35% of new construction costs and modernization costs, respectively. In addition, a total of \$1.2 billion will be available for the modernization and new construction of charter school (\$600 million) and technical education (\$600 million) facilities. The State will award funds to career technical education and charter schools through an application process, and charter schools must be deemed financially sound before project approval.

## **Future Initiatives**

Article XIII A, Article XIII B and Propositions 1A, 2, 22, 30, 39, 46, 2 (2024), 55, 98, 111 and 218 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 the Participant's revenues or its ability to expend revenues.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Participant, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Note designated as and comprising interest with respect to the Certificates is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Note designated as and comprising interest with respect to the Certificates is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest designated as and comprising interest with respect to the Certificates is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Participant and others in connection with the Note, and Bond Counsel has assumed compliance by the Participant with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Note designated as and comprising interest with respect to the Certificates from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Participant, under existing statutes, interest on the Note designated as and comprising interest with respect to the Certificates is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Note or the Certificates, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the date of execution and delivery, and assumes no obligation to update, revise or supplement its opinion after the date of execution and delivery to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or in interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including without limitation, exclusion from gross income for federal income tax purposes of interest on the Note designated as and comprising interest with respect to the Certificates.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance of the Note and execution and delivery of the Certificates in order that interest on the Note designated as and comprising interest with respect to the Certificates be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Note and Certificates, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be

rebated to the federal government. Noncompliance with such requirements may cause interest on the Note and the Certificates to become included in gross income for federal income tax purposes retroactive to their date of execution and delivery, irrespective of the date on which such noncompliance occurs or is discovered. The Participant has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Note which is designated as and comprises interest with respect to the Certificates from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Certificates. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Certificates. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Certificates.

Prospective owners of the Certificates should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Note designated as and comprising interest with respect to the Certificates may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Bond Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable with respect to the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Certificate”). In general, under Section 171 of the Code, an owner of a Premium Certificate must amortize the bond premium over the remaining term of the Premium Certificate, based on the owner’s yield over the remaining term of the Premium Certificate, determined based on constant yield principles (in certain cases involving a Premium Certificate callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Certificate). An owner of a Premium Certificate must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Certificate, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Certificate may realize a taxable gain upon disposition of the Premium Certificate even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Certificates should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Certificates.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Certificates. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Certificate through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest with respect to the Certificates from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Note designated as and comprising interest with respect to the Certificates under federal or state law or otherwise prevent beneficial owners of the Note designated as and comprising interest with respect to the Certificates from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Certificates.

Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

## **CONTINUING DISCLOSURE**

Continuing Disclosure. The Participant has covenanted in the Participant Resolution to file with the MSRB through EMMA system notices of the following events for so long as the Certificates are outstanding:

1. principal and interest payment delinquencies.
2. non-payment related defaults, if material.
3. modifications to rights of holders, if material.
4. Bond calls, if material and tender offers.
5. defeasances.
6. rating changes with respect to the related Series of Participation Certificates.

7. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Note and the related Series of Participation Certificates, or other material events affecting the tax status of the Note and the related Series of Participation Certificates.
8. unscheduled draws on the debt service reserves reflecting financial difficulties.
9. unscheduled draws on the credit enhancements reflecting financial difficulties.
10. release, substitution or sale of property securing repayment of the Note and the related Series of Participation Certificates, if material.
11. bankruptcy, insolvency, receivership or similar event of the Participant (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Participant in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Participant, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Participant);
12. substitution of credit or liquidity providers, or their failure to perform with respect to the Note and the related Series of Participation Certificates;
13. the consummation of a merger, consolidation, or acquisition involving the Participant or the sale of all or substantially all of the assets of the Participant, 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, if material;
14. appointment of a successor or additional Certificate Agent or the change of name of a Certificate Agent, if material;
15. incurrence of a Financial Obligation of the Participant, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Participant, any of which affect Note holders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Participant, any of which reflect financial difficulties.

“Financial Obligation” means “financial obligation” as such term is defined in Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

There are currently no debt service reserves or liquidity providers in place with respect to the payment of principal and interest with respect to the Certificates, and the Certificates are not subject to prepayment prior to their Maturity Date in accordance with their terms. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange

Commission. The Participant's continuing disclosure obligations under the Participant Resolution shall terminate upon payment in full of the Note. If such termination occurs or is deemed to occur prior to the final maturity of the Certificates, the Participant shall give notice of such termination in the same manner as for a Notice Event.

Within the past five years, the Participant has generally filed its continuing disclosure reports on a timely basis, however, in 2024, the Participant failed to timely file its continuing disclosure report for its Election of 2016, General Obligation Bonds, 2020 Series B (Measure C) for the fiscal year ended June 30, 2023. Such continuing disclosure report and a failure to file notice have since been filed with the MSRB through EMMA.

Other Reports. The Participant regularly prepares a variety of reports, including audits, budgets and related documents. Any owner of a Certificate may obtain a copy of any such report, as available, from the Participant at its address designated in Appendix A hereto. Additional information regarding this Official Statement may be obtained by contacting: the Los Angeles County Office of Education, 9300 Imperial Highway, Downey, California 90242-2890; Attention, Assistant Director.

## **LITIGATION**

There is no litigation now pending or threatened (i) to restrain or enjoin the issuance or sale of the Note or the execution and delivery of the Certificates; (ii) questioning or affecting the validity of the Note, the Certificates or the Resolutions; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Note or the Certificates.

The Participant is occasionally subject to lawsuits and claims. Pursuant to Assembly Bill 218 ("AB 218"), which became effective on January 1, 2020, certain changes have been made to the claim prerequisites, available damages and the applicable statute of limitations periods for claims of childhood sexual assault, including claims against public entities like the Participant. With respect to claims that otherwise would have been barred as of January 1, 2020, AB 218 revived such claims for a period of three years, which period expired on December 31, 2022. There is currently one claim pending against the Participant. The Participant is in the process of determining insurance coverage for the pending claim. The Participant does not expect that any expenses or liabilities incurred in defending the AB 218 claim, including those resulting from a final court decision or settlement agreement, will have a materially adverse effect on the Participant's ability to repay the Note.

## **LEGAL AND OTHER MATTERS**

Legal matters incident to the authorization, issuance and sale of the Certificates and the Note will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel, the proposed form of which is attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Los Angeles, California. Compensation to be paid to Bond Counsel and Underwriter's Counsel is contingent upon the issuance of the Certificates.

## **RATING**

The Certificates have been assigned the rating of "SP-1+" by S&P Global Ratings ("S&P"). The rating reflects only the views of S&P, and the Participant makes no representation as to the appropriateness of the rating. An explanation of the significance of such rating may be obtained at the following address: Standard & Poor's, 55 Water Street, New York, New York 10041, tel. (212) 438-2474. Further, there is no assurance that such rating will continue for any given period of time or that it will not be revised or



withdrawn entirely if, in the sole judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the trading value and the market price of the Certificates.

### **MUNICIPAL ADVISOR**

Montague DeRose and Associates, LLC is employed as Municipal Advisor to the Participant in connection with the issuance of the Certificates. The Municipal Advisor's compensation for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Montague DeRose and Associates, LLC, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies. The Municipal Advisor to the Participant has provided the following sentence for inclusion in this Official Statement: The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Participant and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

### **UNDERWRITING**

The Certificates are being purchased by the Underwriter. Pursuant to the Purchase Contract, dated September 3, 2025, by and between the Treasurer and the Underwriter (the "Purchase Contract"), the Underwriter has agreed to purchase the Certificates at a price of \$17,181,275.82, which represents the aggregate principal amount of the Note evidenced and represented by the Certificates in the amount of \$17,000,000.00, plus a premium in the amount of \$213,350.00 and less an Underwriter's discount of \$32,074.18. The Purchase Contract provides that the Underwriter will purchase all of the Certificates, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by Underwriter's Counsel and certain other conditions.

The Underwriter may offer and sell the Certificates to certain dealers and others at a price lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

The Underwriter 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, the Underwriter 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). The Underwriter 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 either the County or the Participant. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the either the County or the Participant.

The Underwriter has entered into a distribution arrangement with its affiliate, City National Securities, Inc. ("CNS"). As part of this arrangement, the Underwriter may distribute municipal securities to investors through the financial advisor network of CNS. As part of this arrangement, the Underwriter may compensate CNS for its selling efforts with respect to the Certificates.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Participant and the purchasers or owners of any of the Certificates. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Neither the County nor the Participant has entered into any contractual arrangement to provide information on a continuing basis to investors or any other party. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the 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 Participant since the date hereof. The delivery of this Official Statement has been duly authorized by the Participant.

## **APPENDIX A**

### **PARTICIPANT INFORMATION AND CASH FLOW STATEMENTS**

Unless otherwise indicated, the following information has been provided by the Participant concerning its operations. Additional information concerning the Participant and copies of its most recent (as well as subsequent) audited financial statements may be obtained by contacting the Participant at the address set forth for the Participant in this Appendix A. Capitalized terms used herein but not otherwise defined shall have the respective meanings set forth in the forepart of this Official Statement.

The cash flow projections in the following pages represent the current best estimate of the Participant, based on information available as of the date of the projections. However, due to the uncertainties inherent in the State of California budgeting process (see “PARTICIPANT FINANCES – State Assistance”), these projections are subject to change and may vary considerably from actual cash flows experienced by the Participant during the Fiscal Year 2024-25 and for the Fiscal Year 2025-26. The audited financial statements of the Participant for Fiscal Years 2021-22, 2022-23 and 2023-24, along with certain other information pertaining to the Participant are available at <https://www.lacoe.edu/services/business/bas/pooled-financing>. The cashflows have been posted on the above link and will be available through June 2, 2026, the final maturity of the Certificates, and also contains cash flow information pertaining to the Participant in Excel Spreadsheet format. Please note, however, that the material included in the referenced link is accurate only as of its date and should not in any way be deemed to otherwise update any other portions of the Official Statement. The website referred to is maintained by the Los Angeles County Office of Education (“LACOE”) and not by the Participant or the Underwriter, and neither the Participant nor the Underwriter takes any responsibility for the continued accuracy of this internet addresses or for the completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

## MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

Manhattan Beach Unified School District  
325 S. Peck Ave.  
Manhattan Beach, CA 90266  
Attn: Deputy Superintendent

### **General**

Manhattan Beach Unified School District (the “District”) was established in 1912 and unified in 1993, and consists of an area comprising approximately 3.88 square miles in the southwestern portion of Los Angeles County. Its boundaries are coterminous with the City of Manhattan Beach. The District operates five elementary schools, one middle school, one high school, and one preschool.

### **Organization**

The District is governed by a five-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Board-appointed Superintendent who is responsible for the day-to-day operations and the supervision of other key personnel.

### **Outstanding Obligations**

As of June 30, 2024, the District had the following long-term obligations:

| Description                 | Balance               |
|-----------------------------|-----------------------|
| General obligation bonds    | \$ 155,963,233        |
| Premium on bonds            | 19,770,710            |
| Accreted interest on bonds  | 56,030,235            |
| Lease payable               | 51,371                |
| Compensated absences        | 318,090               |
| Net OPEB liability          | 2,771,042             |
| Net pension liability       | 75,921,589            |
| TOTAL LONG-TERM OBLIGATIONS | <u>\$ 310,826,270</u> |

Source: District’s Fiscal Year 2023-24 Audit.

### **Collective Bargaining Agreements**

In February 2025, the Board approved a 2.5% increase to each employee’s salary earned during Fiscal Year 2023-24 and a 1% increase for Fiscal Year 2024-25, paid on-schedule, as well as a 0.5% off-schedule increase for Fiscal Year 2023-24 and a 1% off-schedule increase for Fiscal Year 2024-25. These increases were applied to all employees, both certificated and classified, and are reflected in the cash flows.

### **Cash Flow Assumptions**

The District made the following assumptions in its cash flows:

- Assumed COLA of 2.30%
- Districts will be funded on the greater of the current year, prior year, or 3-year rolling average
- Transitional Kindergarten received an additional add-on of \$3,077 per ADA
- Property taxes are assumed to remain stable
- Additional increases to revenue are based on the State enacted budget
- PERS costs decreased from 27.05% to 26.81%
- District has assumed an anticipated 1.00% salary increase

### **LCFF Funding History and Projection**

The following table sets forth funded ADA and LCFF figures for the District for Fiscal Years 2020-21 through 2024-25 and an estimate for Fiscal Year 2025-26.

#### **MANHATTAN BEACH UNIFIED SCHOOL DISTRICT SUMMARY OF ADA AND LCFF**

| <u>Fiscal Year</u>     | <u>Funded ADA</u> | <u>LCFF per ADA</u> |
|------------------------|-------------------|---------------------|
| 2020-21 <sup>(1)</sup> | 6,306             | \$8,839             |
| 2021-22 <sup>(1)</sup> | 6,296             | 9,285               |
| 2022-23 <sup>(1)</sup> | 6,078             | 10,579              |
| 2023-24 <sup>(1)</sup> | 5,847             | 11,494              |
| 2024-25 <sup>(2)</sup> | 5,677             | 11,687              |
| 2025-26 <sup>(3)</sup> | 5,755             | 12,001              |

<sup>(1)</sup> Source: California Department of Education.

<sup>(2)</sup> Source: District's Fiscal Year 2024-25 First Interim Report.

<sup>(3)</sup> Source: District's Fiscal Year 2025-26 Adopted Budget.

### **Assessed Value**

The following table sets forth assessed values for the District for the past five Fiscal Years and the current Fiscal Year:

#### **MANHATTAN BEACH UNIFIED SCHOOL DISTRICT SUMMARY OF ASSESSED VALUE**

| <u>Fiscal Year</u> | <u>Local Secured</u> | <u>Utility</u> | <u>Unsecured</u> | <u>Total</u>     |
|--------------------|----------------------|----------------|------------------|------------------|
| 2020-21            | \$20,909,183,076     | \$0            | \$327,083,220    | \$21,236,266,296 |
| 2021-22            | 21,840,276,126       | 0              | 347,170,632      | 22,187,446,758   |
| 2022-23            | 23,335,611,825       | 0              | 346,500,438      | 23,682,112,263   |
| 2023-24            | 24,583,311,004       | 0              | 355,714,029      | 24,939,025,033   |
| 2024-25            | 25,832,123,084       | 0              | 395,197,954      | 26,227,321,038   |
| 2025-26            | 27,238,402,510       | 0              | 375,395,686      | 27,613,798,196   |

Source: California Municipal Statistics, Inc. for Fiscal Years 2020-21 through 2024-25; Los Angeles County Auditor-Controller for Fiscal Year 2025-26.

### **Retirement Systems**

The District participates in STRS for qualified certificated employees. The contribution requirements of the plan members are established by State statute. The following table sets forth the District's contributions to STRS for Fiscal Years 2020-21 through 2024-25. These amounts are the required contributions for each Fiscal Year.

| <u>Fiscal Year</u>     | <u>Contribution</u> |
|------------------------|---------------------|
| 2020-21 <sup>(1)</sup> | \$5,657,683         |
| 2021-22 <sup>(1)</sup> | 6,199,572           |
| 2022-23 <sup>(1)</sup> | 7,454,275           |
| 2023-24 <sup>(1)</sup> | 7,608,781           |
| 2024-25 <sup>(2)</sup> | 11,642,098          |

<sup>(1)</sup> Source: District's Audited Financial Statements.

<sup>(2)</sup> Estimated Actuals; Source: District's Fiscal Year 2025-26 Adopted Budget.

The District also participates in PERS for all full-time and some part-time classified employees. The contribution requirements of the plan members are established by State statute. The following table sets forth the District's contributions to PERS for Fiscal Years 2020-21 through 2024-25. These amounts are the required contributions for each Fiscal Year.

| <u>Fiscal Year</u>     | <u>Contribution</u> |
|------------------------|---------------------|
| 2020-21 <sup>(1)</sup> | \$3,013,897         |
| 2021-22 <sup>(1)</sup> | 3,533,951           |
| 2022-23 <sup>(1)</sup> | 3,716,050           |
| 2023-24 <sup>(1)</sup> | 3,981,698           |
| 2024-25 <sup>(2)</sup> | 4,455,307           |

<sup>(1)</sup> Source: District's Audited Financial Statements.

<sup>(2)</sup> Estimated Actuals; Source: District's Fiscal Year 2025-26 Adopted Budget.

### **Other Post-Employment Benefits**

The District pays a portion of the medical costs for eligible retirees through a retiree benefit plan (“OPEB Plan”), which is a defined benefit plan for OPEB. For a general discussion of the calculation of the OPEB liabilities, see “PARTICIPANT FINANCES-- Financial Statements and Accounting Practices-- GASB Statement 75.” For the fiscal year ended June 30, 2024, the District reported total and net OPEB liabilities and OPEB contributions for its OPEB Plan as set forth in the following table:

| <u>OPEB Plan</u>             | <u>Total OPEB<br/>Liability</u> | <u>Net OPEB<br/>Liability</u> | <u>District<br/>Contribution</u> |
|------------------------------|---------------------------------|-------------------------------|----------------------------------|
| District Plan <sup>(1)</sup> | \$2,771,042                     | \$2,771,042                   | \$115,093                        |

<sup>(1)</sup> Based on a measurement date of June 30, 2023.

Source: District’s Fiscal Year 2023-24 Audit.

### **Sources of Alternate Liquidity**

The District has moneys in certain accounts which are designated for certain uses but which can be used on a temporary basis for its other obligations, including the Notes.

| <u>Name or Type of Fund</u>       | <u>Actual Balance<br/>as of<br/>June 30, 2024</u> | <u>Estimated Balance as<br/>of June 30, 2025</u> | <u>Projected Balance<br/>as of<br/>June 30, 2026</u> |
|-----------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------------------|
| Capital Facilities/Developer Fees | \$4,237,304                                       | \$4,975,472                                      | \$5,675,472                                          |

Prospective purchasers of the Certificates should be aware that such funds have restricted uses but can be used as alternative sources of liquidity for the payment of District obligations; no representation is made by the District that such funds would in fact be made available for the payment of the Notes in the absence of other revenues.

### **COVID-19 State and Federal Funding**

**Background.** The outbreak of the respiratory disease caused by a new strain of coronavirus (“COVID-19”) was declared a Pandemic by the World Health Organization, a National Emergency by then President Trump and a State of Emergency by California State Governor Newsom (the “Governor”) in March 2020. The emergency resulted in tremendous volatility in the financial markets in the United States and globally, and the onset of a U.S. and global recession.

In response to COVID-19, the federal and State governments approved additional funding for educational agencies by way of establishing certain relief plans or funds, which included appropriations for the purpose of assisting California local educational agencies.

The District received and expended approximately \$6.3 million in State and federal funding related to COVID-19. The aforementioned State and federal funding is considered one-time, restricted, emergency relief funding to address the impact COVID-19 has had on elementary and secondary schools and is not available for payment of the Note or Certificates.

**Impacts on the Participant.** As discussed in the Official Statement under “PARTICIPANT FINANCES—K-12 School Districts—Local Control Funding Formula (LCFF),” the Participant receives much of its revenues from LCFF sources which are comprised of local property taxes and State

moneys. There may be unknown consequences of COVID-19, which the Participant is unable to forecast, that may impact the Participant's financial condition or the availability of State funding for school districts. While the California State of Emergency and the National Emergency have now both been terminated, the Participant cannot predict if there will be further outbreaks or what impacts any such outbreaks may have on the Participant's financial condition or operations.

### **Financial Reports**

The General Fund is the major fund classification of the District. The following table is a summary of the District's General Fund during Fiscal Years 2021-22, 2022-23 and 2023-24.



**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT  
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN  
GENERAL FUND BALANCES FOR FISCAL YEARS ENDING  
JUNE 30, 2022, 2023 AND 2024**

|                                              | <u>General Fund<br/>2021-22 Audited</u> | <u>General Fund<br/>2022-23 Audited</u> | <u>General Fund<br/>2023-24 Audited</u> |
|----------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| BEGINNING FUND BALANCE                       | \$12,057,669 <sup>(1)</sup>             | \$13,052,748 <sup>(1)</sup>             | \$16,122,562 <sup>(1)</sup>             |
| Total Revenues                               | 91,266,631                              | 102,203,789                             | 100,855,218                             |
| Total Beginning Fund Balance<br>and Revenues | 103,324,300                             | 115,256,537                             | 116,977,780                             |
| Total Expenditures                           | 89,536,948                              | 99,134,373                              | 100,919,788                             |
| Other Financing Sources (Uses)               | 208,531                                 | -                                       | -                                       |
| ENDING FUND BALANCE                          | <u>\$13,995,883</u>                     | <u>\$16,122,164</u>                     | <u>\$16,057,992</u>                     |

<sup>(1)</sup> Restated.

Source: District's Audited Financial Statements.

**District General Fund Budgets**

The following table is a summary of the District's General Fund budgets for Fiscal Years 2024-25 and 2025-26.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT  
SUMMARY OF 2024-25 BUDGET AND 2025-26 BUDGET<sup>(1)</sup>  
FOR DISTRICT GENERAL FUND**

|                                           | <u>General Fund<br/>2024-25 Budget</u> | <u>General Fund<br/>2025-26 Budget</u> |
|-------------------------------------------|----------------------------------------|----------------------------------------|
| BEGINNING FUND BALANCE                    | \$12,168,345                           | \$8,544,115                            |
| Total Revenues                            | 96,904,648                             | 100,653,764                            |
| Total Beginning Fund Balance and Revenues | 109,072,993                            | 109,197,879                            |
| Total Expenditures                        | 99,004,727                             | 103,355,161                            |
| ENDING FUND BALANCE                       | <u>\$10,068,266</u>                    | <u>\$5,842,718</u>                     |

<sup>(1)</sup> District's Fiscal Year 2024-25 and Fiscal Year 2025-26 Adopted Budgets.

### **District General Fund Balance Sheets**

The following table is a summary of the District's General Fund Balance Sheets for Fiscal Years 2021-22, 2022-23 and 2023-24.

#### **MANHATTAN BEACH UNIFIED SCHOOL DISTRICT GENERAL FUND BALANCE SHEET FOR FISCAL YEARS ENDING JUNE 30, 2022, 2023 AND 2024**

|                                    | General Fund<br>2021-22 Audited | General Fund<br>2022-23 Audited | General Fund<br>2023-24 Audited |
|------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Total Assets                       | \$24,064,212                    | \$31,559,332                    | \$25,966,909                    |
| Total Liabilities                  | 9,839,374                       | 15,322,293                      | 9,915,994                       |
| Deferred Inflows                   | 228,955                         | 114,477                         | -                               |
| Fund Balance                       |                                 |                                 |                                 |
| Nonspendable                       | 25,108                          | 21,569                          | 18,781                          |
| Restricted                         | 2,707,104                       | 5,811,847                       | 4,583,261                       |
| Assigned                           | -                               | -                               | -                               |
| Unassigned                         | 11,263,671                      | 10,289,146                      | 11,448,873                      |
| Total Fund Balance                 | 13,995,883                      | 16,122,562                      | 16,050,915                      |
| Total Liabilities and Fund Balance | \$24,064,212                    | \$31,559,332                    | \$25,966,909                    |

Source: District's Audited Financial Statements.

### **Secured Tax Charges and Delinquencies**

The following table sets forth the secured tax charges and delinquencies for the District for Fiscal Years 2019-20 through 2023-24.

#### **MANHATTAN BEACH UNIFIED SCHOOL DISTRICT SECURED TAX CHARGES AND DELINQUENCIES**

|         | Secured Tax Charge <sup>(1)</sup> | Amt. Del. June 30 | % Del. June 30 |
|---------|-----------------------------------|-------------------|----------------|
| 2019-20 | \$30,832,321.19                   | \$697,585.99      | 2.26%          |
| 2020-21 | 33,146,093.84                     | 566,677.80        | 1.71           |
| 2021-22 | 34,672,666.56                     | 543,428.69        | 1.57           |
| 2022-23 | 37,010,267.81                     | 579,416.43        | 1.57           |
| 2023-24 | 39,289,630.56                     | 691,626.23        | 1.76           |

|         | Secured Tax Charge <sup>(2)</sup> | Amt. Del. June 30 | % Del. June 30 |
|---------|-----------------------------------|-------------------|----------------|
| 2019-20 | \$18,251,335.31                   | \$289,568.11      | 1.59%          |
| 2020-21 | 18,550,876.33                     | 235,853.16        | 1.27           |
| 2021-22 | 19,458,683.69                     | 225,017.47        | 1.16           |
| 2022-23 | 20,653,440.02                     | 259,741.52        | 1.26           |
| 2023-24 | 21,860,331.87                     | 268,555.19        | 1.23           |

<sup>(1)</sup> 1% General Fund apportionment. Reflects Countywide delinquency rate.

<sup>(2)</sup> District's general obligation bond debt service levy.

Source: California Municipal Statistics, Inc.

### **Largest Fiscal Year 2024-25 Local Secured Taxpayers**

25. The following table sets forth the largest local secured taxpayers in the District in Fiscal Year 2024-

#### **MANHATTAN BEACH UNIFIED SCHOOL DISTRICT LARGEST FISCAL YEAR 2024-25 LOCAL SECURED TAXPAYERS**

|    | <u>Property Owner</u>           | <u>Primary Land Use</u> | <u>2024-25 Assessed<br/>Valuation</u> | <u>% of<br/>Total<sup>(1)</sup></u> |
|----|---------------------------------|-------------------------|---------------------------------------|-------------------------------------|
| 1. | MBS Media Campus LLC            | Industrial              | \$364,842,462                         | 1.41%                               |
| 2. | Reef America REIT II Corp. BBB  | Shopping Center         | 302,863,159                           | 1.17                                |
| 3. | Northrop Grumman Systems Corp.  | Industrial              | 164,695,699                           | 0.64                                |
| 4. | Onni Manhattan Towers LP        | Office Building         | 116,402,222                           | 0.45                                |
| 5. | Manhattan Beach Hotel Owner LLC | Hotel                   | <u>114,898,014</u>                    | <u>0.44</u>                         |
|    |                                 |                         | \$1,063,701,556                       | 4.11%                               |

<sup>(1)</sup> 2024-25 Local Secured Assessed Valuation: \$25,832,123,084  
Source: California Municipal Statistics, Inc.

### **Parcel Tax**

On March 5, 2024, District voters approved a renewal of Measure MB, a local funding measure in the form of a parcel tax. By renewing Measure MB, District voters authorized the District to impose a special tax in the amount of \$225 per parcel for an additional six years annually.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT  
CASH FLOWS**

**Los Angeles County Schools FY 2025-26 Pooled TRANS, Series A**  
**Manhattan Beach Unified School District**

|                                | FY 2023-24 Cash Flows |             |             |             |             |             |             |             |             |            |             |             |              |             |
|--------------------------------|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|-------------|--------------|-------------|
|                                | Jul-23                | Aug-23      | Sep-23      | Oct-23      | Nov-23      | Dec-23      | Jan-24      | Feb-24      | Mar-24      | Apr-24     | May-24      | Jun-24      | Accruals &   | Total       |
|                                | Actual                | Actual      | Actual      | Actual      | Actual      | Actual      | Actual      | Actual      | Actual      | Actual     | Actual      | Actual      | Adjustments  |             |
| REVENUES                       |                       |             |             |             |             |             |             |             |             |            |             |             |              |             |
| LCFF Sources                   |                       |             |             |             |             |             |             |             |             |            |             |             |              |             |
| Principal Apportionment        | 1,052,398             | 439,056     | 1,646,201   | 1,342,309   | 1,342,309   | 1,646,200   | 1,342,309   | 308,432     | 577,477     | 308,432    | 308,432     | 833,820     | (665,668)    | 10,481,707  |
| Property Taxes                 | 712,644               | 1,825,718   | -           | -           | 637,790     | 21,009,115  | 5,253,500   | 2,477,638   | 182,505     | 15,555,300 | 8,294,595   | 782,568     | -            | 56,731,373  |
| Miscellaneous Funds            | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -           | -           | -            | -           |
| Federal Revenue                | -                     | -           | -           | 371,719     | (117,028)   | -           | -           | 71,534      | -           | 103,150    | -           | 320,674     | 1,898,702    | 2,648,751   |
| Other State Revenue            | 54,398                | 287,746     | 529,966     | 479,931     | 1,201,564   | 1,043,779   | 517,943     | 648,573     | 1,000,755   | 723,467    | 540,107     | 1,189,712   | 4,190,088    | 12,408,030  |
| Other Local Revenue            | 177,786               | (122,334)   | 171,279     | 12,595      | 1,350,047   | 1,659,303   | 247,649     | 1,376,001   | (482,704)   | 951,668    | 2,435,402   | 2,916,786   | 7,891,879    | 18,585,355  |
| Transfers In                   | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -           | -           | -            | -           |
| All Other Financing Sources    | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -           | -           | -            | -           |
| TOTAL REVENUES                 | 1,997,226             | 2,430,185   | 2,347,446   | 2,206,553   | 4,414,681   | 25,358,398  | 7,361,401   | 4,882,179   | 1,278,033   | 17,642,017 | 11,578,537  | 6,043,561   | 13,315,001   | 100,855,216 |
| EXPENDITURES                   |                       |             |             |             |             |             |             |             |             |            |             |             |              |             |
| Certificated Salaries          | 41,619                | 2,305,859   | 1,534,944   | 3,691,171   | 3,626,609   | 3,691,974   | 3,631,736   | 7,215,333   | 3,544,856   | 3,711,027  | 3,655,738   | 3,805,439   | 8,578        | 40,464,882  |
| Classified Salaries            | 100,530               | 1,008,594   | 831,667     | 1,265,349   | 1,511,203   | 1,383,888   | 1,311,822   | 1,766,675   | 1,399,773   | 1,318,716  | 1,531,681   | 2,014,563   | (11,767)     | 15,432,694  |
| Employee Benefits              | 66,456                | 649,569     | 938,788     | 2,193,703   | 2,260,995   | 2,224,606   | 2,198,965   | 3,847,336   | 2,228,021   | 2,214,752  | 2,246,661   | 1,659,099   | 3,525,734    | 26,254,685  |
| Books and Supplies             | 217,968               | 1,209,944   | 778,409     | 369,627     | 181,860     | 139,908     | 138,117     | 203,639     | 137,345     | 241,213    | 219,639     | 241,186     | 27,445       | 4,106,300   |
| Services                       | 199,539               | 1,110,302   | 624,907     | 989,154     | 1,154,769   | 735,023     | 1,181,276   | 891,526     | 1,044,402   | 2,184,549  | 1,361,039   | 2,253,295   | 562,362      | 14,292,144  |
| Capital Outlay                 | -                     | -           | -           | -           | 16,588      | -           | -           | -           | -           | -          | -           | -           | -            | 16,588      |
| Other Outgo                    | 766                   | 766         | 1,379       | 23,879      | 1,379       | 1,379       | 1,379       | 80,825      | (177,846)   | (1,685)    | 308,063     | (813)       | 113,021      | 352,492     |
| Transfers Out                  | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -           | -           | -            | -           |
| All Other Financing Uses       | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -           | -           | -            | -           |
| TOTAL EXPENDITURES             | 626,877               | 6,285,035   | 4,710,095   | 8,532,882   | 8,753,404   | 8,176,778   | 8,463,294   | 14,005,334  | 8,176,550   | 9,668,574  | 9,322,822   | 9,972,768   | 4,225,374    | 100,919,786 |
| REVENUES MINUS EXPENDITURE     | 1,370,348             | (3,854,850) | (2,362,649) | (6,326,328) | (4,338,723) | 17,181,619  | (1,101,893) | (9,123,155) | (6,898,517) | 7,973,443  | 2,255,715   | (3,929,207) | 9,089,626    | (64,570)    |
| BALANCE SHEET TRANSACTIONS     |                       |             |             |             |             |             |             |             |             |            |             |             |              |             |
| Total Current Assets           | (81,515)              | 429,241     | 246,051     | 1,989,567   | 400,822     | 678,163     | 10,872      | 279,201     | 1,060,653   | 2,254,508  | (60,635)    | 2,531,813   | (11,088,121) | (1,349,378) |
| Total Current Liabilities      | (7,500,108)           | (1,424,232) | (3,393,495) | 680,400     | (1,913,341) | 867,254     | (654,999)   | 4,891,698   | (223,700)   | (41,601)   | 333,373     | 883,520     | 1,974,850    | (5,520,381) |
| TOTAL BALANCE SHEET TRANS.     | (7,581,623)           | (994,990)   | (3,147,444) | 2,669,967   | (1,512,519) | 1,545,418   | (644,126)   | 5,170,899   | 836,953     | 2,212,907  | 272,738     | 3,415,333   | (9,113,271)  | (6,869,759) |
| BEG. CASH BALANCE, BEFORE TRAN | 19,915,958            | 13,704,683  | 8,854,842   | 3,344,750   | (311,611)   | (6,162,853) | 12,564,184  | 10,818,165  | 6,865,909   | 804,345    | 10,990,696  | 13,519,149  | 13,005,274   |             |
| NET CHANGE IN CASH             | (6,211,275)           | (4,849,841) | (5,510,092) | (3,656,361) | (5,851,241) | 18,727,037  | (1,746,019) | (3,952,256) | (6,061,564) | 10,186,351 | 2,528,453   | (513,874)   | (23,645)     | (6,934,328) |
| END. CASH BALANCE, BEFORE TRAN | 13,704,683            | 8,854,842   | 3,344,750   | (311,611)   | (6,162,853) | 12,564,184  | 10,818,165  | 6,865,909   | 804,345     | 10,990,696 | 13,519,149  | 13,005,274  | 12,981,630   |             |
| TRAN BORROWING                 |                       |             |             |             |             |             |             |             |             |            |             |             |              |             |
| FY 2022-23 Cross FY TRAN       | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -           | -           | -            | -           |
| FY 2023-24 TRAN                | -                     | -           | 11,800,000  | -           | -           | -           | (5,900,000) | -           | -           | -          | (6,367,083) | 467,083     | -            | -           |
| FY 2023-24 Cross FY TRAN       | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -           | -           | -            | -           |
| BEG. CASH BALANCE, AFTER TRAN  | 19,915,958            | 13,704,683  | 8,854,842   | 15,144,750  | 11,488,389  | 5,637,147   | 24,364,184  | 16,718,165  | 12,765,909  | 6,704,345  | 16,890,696  | 13,052,066  | 13,005,274   |             |
| NET CHANGE IN CASH             | (6,211,275)           | (4,849,841) | 6,289,908   | (3,656,361) | (5,851,241) | 18,727,037  | (7,646,019) | (3,952,256) | (6,061,564) | 10,186,351 | (3,838,630) | (46,791)    | (23,645)     | (6,934,328) |
| END. CASH BALANCE, AFTER TRAN  | 13,704,683            | 8,854,842   | 15,144,750  | 11,488,389  | 5,637,147   | 24,364,184  | 16,718,165  | 12,765,909  | 6,704,345   | 16,890,696 | 13,052,066  | 13,005,274  | 12,981,630   |             |

**Los Angeles County Schools FY 2025-26 Pooled TRANS, Series A**  
**Manhattan Beach Unified School District**

|                                | FY 2024-25 Cash Flows |             |             |             |             |             |             |             |             |            |              |             |              |             |
|--------------------------------|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|--------------|-------------|--------------|-------------|
|                                | Jul-24                | Aug-24      | Sep-24      | Oct-24      | Nov-24      | Dec-24      | Jan-25      | Feb-25      | Mar-25      | Apr-25     | May-25       | Jun-25      | Accruals &   | Total       |
|                                | Actual                | Actual      | Actual      | Actual      | Actual      | Actual      | Actual      | Actual      | Actual      | Actual     | Actual       | Actual      | Adjustments  |             |
| REVENUES                       |                       |             |             |             |             |             |             |             |             |            |              |             |              |             |
| LCFF Sources                   |                       |             |             |             |             |             |             |             |             |            |              |             |              |             |
| Principal Apportionment        | 534,837               | 534,837     | 1,255,078   | 962,707     | 962,707     | 1,255,078   | 962,707     | (258,633)   | 551,770     | 11,367     | 11,368       | (182,313)   | 1,034,067    | 7,635,577   |
| Property Taxes                 | 491,734               | 2,034,477   | (71,758)    | (84)        | 772,168     | 22,105,879  | 5,521,447   | 2,472,440   | 212,061     | 17,632,009 | 5,842,865    | 2,286,566   | 255,629      | 59,555,433  |
| Miscellaneous Funds            | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -            | -           | -            | -           |
| Federal Revenue                | -                     | -           | 74,545      | 23,329      | 36,377      | -           | -           | -           | -           | -          | -            | -           | 1,935,804    | 2,070,055   |
| Other State Revenue            | 87,875                | 311,925     | 652,650     | 560,883     | 864,738     | 946,801     | 560,191     | 586,931     | 1,171,342   | 164,677    | 824,003      | 937,983     | 4,442,949    | 12,112,948  |
| Other Local Revenue            | 21,582                | 517,234     | 702,916     | (4,080)     | 638,448     | 1,038,409   | 275,610     | 476,808     | 1,154,203   | 679,344    | 754,371      | 10,635,064  | 3,032,442    | 19,922,351  |
| Transfers In                   | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -            | -           | -            | -           |
| All Other Financing Sources    | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -            | -           | -            | -           |
| TOTAL REVENUES                 | 1,136,028             | 3,398,472   | 2,613,431   | 1,542,756   | 3,274,438   | 25,346,167  | 7,319,955   | 3,277,546   | 3,089,376   | 18,487,396 | 7,432,607    | 13,677,300  | 10,700,891   | 101,296,364 |
| EXPENDITURES                   |                       |             |             |             |             |             |             |             |             |            |              |             |              |             |
| Certificated Salaries          | 400,643               | 3,404,617   | 3,426,756   | 3,530,063   | 3,421,929   | 3,533,051   | 3,443,770   | 3,477,763   | 3,527,167   | 5,735,821  | 3,516,807    | 4,050,480   | 794,510      | 42,263,378  |
| Classified Salaries            | 586,949               | 711,820     | 1,071,784   | 1,447,544   | 1,450,735   | 1,332,279   | 1,297,069   | 1,344,966   | 1,414,778   | 1,468,169  | 2,149,118    | 2,094,500   | 1,077,979    | 17,447,691  |
| Employee Benefits              | 247,639               | 1,004,938   | 1,978,332   | 2,198,846   | 2,194,479   | 2,052,241   | 2,120,558   | 2,166,561   | 2,174,675   | 2,687,975  | 2,419,913    | 1,664,099   | 2,648,988    | 25,559,245  |
| Books and Supplies             | 284,793               | 451,219     | 226,140     | 572,571     | 327,211     | 195,052     | 196,959     | 173,957     | 176,141     | 577,871    | 243,569      | 259,296     | 463,778      | 4,148,557   |
| Services                       | 564,337               | 893,363     | 1,606,005   | 1,500,338   | 1,305,720   | 1,734,706   | 1,746,931   | 953,801     | 870,867     | 1,790,135  | 1,287,801    | 2,663,845   | -            | 16,917,849  |
| Capital Outlay                 | -                     | -           | -           | -           | 26,175      | -           | 3,222       | -           | -           | -          | -            | -           | 476,378      | 505,775     |
| Other Outgo                    | 44                    | 44          | 79          | 304         | 62,807      | 79          | 7,639       | 28,042      | (97)        | (97)       | (97)         | 3,944       | 304,815      | 407,506     |
| Transfers Out                  | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -            | -           | -            | -           |
| All Other Financing Uses       | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -            | -           | -            | -           |
| TOTAL EXPENDITURES             | 2,084,405             | 6,466,002   | 8,309,097   | 9,249,666   | 8,789,055   | 8,847,409   | 8,816,148   | 8,145,091   | 8,163,531   | 12,259,874 | 9,617,111    | 10,736,164  | 5,766,448    | 107,250,001 |
| REVENUES MINUS EXPENDITURE     | (948,378)             | (3,067,530) | (5,695,666) | (7,706,910) | (5,514,617) | 16,498,759  | (1,496,193) | (4,867,545) | (5,074,155) | 6,227,522  | (2,184,504)  | 2,941,136   | 4,934,443    | (5,953,637) |
| BALANCE SHEET TRANSACTIONS     |                       |             |             |             |             |             |             |             |             |            |              |             |              |             |
| Total Current Assets           | 430,376               | 5,205,163   | 515,070     | 196,745     | 69,610      | 83,961      | -           | 51,101      | 2,519,818   | 232,681    | (122,240)    | (3,729,263) | (10,700,891) | (5,247,870) |
| Total Current Liabilities      | (6,003,203)           | 2,601,359   | (821,470)   | 39,569      | 182,249     | 97,718      | 173,443     | (180,917)   | (357,365)   | 756,946    | (696,221)    | 471,337     | 5,766,448    | 2,029,893   |
| TOTAL BALANCE SHEET TRANS.     | (5,572,827)           | 7,806,522   | (306,400)   | 236,314     | 251,859     | 181,679     | 173,443     | (129,816)   | 2,162,453   | 989,627    | (818,461)    | (3,257,926) | (4,934,443)  | (3,217,977) |
| BEG. CASH BALANCE, BEFORE TRAN | 12,981,630            | 6,460,425   | 11,199,417  | 5,197,351   | (2,273,245) | (7,536,003) | 9,144,434   | 7,821,685   | 2,824,324   | (87,378)   | 7,129,771    | 4,126,806   | 3,810,016    |             |
| NET CHANGE IN CASH             | (6,521,205)           | 4,738,992   | (6,002,066) | (7,470,596) | (5,262,758) | 16,680,438  | (1,322,750) | (4,997,361) | (2,911,702) | 7,217,149  | (3,002,965)  | (316,790)   | -            | (9,171,614) |
| END. CASH BALANCE, BEFORE TRAN | 6,460,425             | 11,199,417  | 5,197,351   | (2,273,245) | (7,536,003) | 9,144,434   | 7,821,685   | 2,824,324   | (87,378)    | 7,129,771  | 4,126,806    | 3,810,016   | 3,810,016    |             |
| TRAN BORROWING                 |                       |             |             |             |             |             |             |             |             |            |              |             |              |             |
| FY 2023-24 Cross FY TRAN       | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -            | -           | -            | -           |
| FY 2024-25 TRAN                | -                     | -           | 15,000,000  | -           | -           | -           | (7,500,000) | -           | -           | -          | (8,043,750)  | 543,750     | -            | -           |
| FY 2024-25 Cross FY TRAN       | -                     | -           | -           | -           | -           | -           | -           | -           | -           | -          | -            | -           | -            | -           |
| BEG. CASH BALANCE, AFTER TRAN  | 12,981,630            | 6,460,425   | 11,199,417  | 20,197,351  | 12,726,755  | 7,463,997   | 24,144,434  | 15,321,685  | 10,324,324  | 7,412,622  | 14,629,771   | 3,583,056   | 3,810,016    |             |
| NET CHANGE IN CASH             | (6,521,205)           | 4,738,992   | 8,997,934   | (7,470,596) | (5,262,758) | 16,680,438  | (8,822,750) | (4,997,361) | (2,911,702) | 7,217,149  | (11,046,715) | 226,960     | -            | (9,171,614) |
| END. CASH BALANCE, AFTER TRAN  | 6,460,425             | 11,199,417  | 20,197,351  | 12,726,755  | 7,463,997   | 24,144,434  | 15,321,685  | 10,324,324  | 7,412,622   | 14,629,771 | 3,583,056    | 3,810,016   | 3,810,016    |             |

**Los Angeles County Schools FY 2025-26 Pooled TRANS, Series A**  
**Manhattan Beach Unified School District**

|                                | FY 2025-26 Cash Flows |             |             |             |              |              |             |             |             |            |              |            |              |             |
|--------------------------------|-----------------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|-------------|------------|--------------|------------|--------------|-------------|
|                                | Jul-25                | Aug-25      | Sep-25      | Oct-25      | Nov-25       | Dec-25       | Jan-26      | Feb-26      | Mar-26      | Apr-26     | May-26       | Jun-26     | Accruals &   | Total       |
|                                | Projected             | Projected   | Projected   | Projected   | Projected    | Projected    | Projected   | Projected   | Projected   | Projected  | Projected    | Projected  | Adjustments  |             |
| REVENUES                       |                       |             |             |             |              |              |             |             |             |            |              |            |              |             |
| LCFF Sources                   |                       |             |             |             |              |              |             |             |             |            |              |            |              |             |
| Principal Apportionment        | 418,319               | 418,319     | 1,038,253   | 752,975     | 752,975      | 1,038,253    | 841,356     | 841,356     | 1,126,634   | 841,356    | 841,356      | 1,126,636  | -            | 10,037,788  |
| Property Taxes                 | 491,734               | 2,034,477   | (71,758)    | (84)        | 772,168      | 23,305,879   | 5,521,447   | 2,472,440   | 212,061     | 18,974,204 | 5,842,866    | -          | -            | 59,555,434  |
| Miscellaneous Funds            | -                     | -           | -           | -           | -            | -            | -           | -           | -           | -          | -            | -          | -            | -           |
| Federal Revenue                | -                     | -           | -           | 101,943     | 37,889       | -            | -           | -           | -           | -          | -            | 312,472    | 1,703,801    | 2,156,105   |
| Other State Revenue            | 93,899                | 333,307     | 777,044     | 519,676     | 924,015      | 1,011,704    | 598,592     | 627,165     | 528,227     | 899,376    | 880,489      | 801,412    | 6,808,724    | 14,803,630  |
| Other Local Revenue            | 17,865                | 41,014      | 969,009     | (3,377)     | 528,498      | 859,580      | 228,146     | 394,695     | 955,433     | 562,351    | 624,459      | 5,311,781  | 6,001,985    | 16,491,439  |
| Transfers In                   | -                     | -           | -           | -           | -            | -            | -           | -           | -           | -          | -            | -          | -            | -           |
| All Other Financing Sources    | -                     | -           | -           | -           | -            | -            | -           | -           | -           | -          | -            | -          | -            | -           |
| TOTAL REVENUES                 | 1,021,817             | 2,827,117   | 2,712,548   | 1,371,133   | 3,015,545    | 26,215,416   | 7,189,541   | 4,335,656   | 2,822,355   | 21,277,287 | 8,189,170    | 7,552,301  | 14,514,510   | 103,044,396 |
| EXPENDITURES                   |                       |             |             |             |              |              |             |             |             |            |              |            |              |             |
| Certificated Salaries          | 400,000               | 3,645,086   | 3,645,086   | 3,645,086   | 3,645,086    | 3,645,086    | 3,645,086   | 3,645,086   | 3,645,086   | 3,645,086  | 3,645,086    | 3,645,089  | -            | 40,495,949  |
| Classified Salaries            | 600,000               | 725,000     | 1,531,070   | 1,531,070   | 1,531,070    | 1,531,070    | 1,531,070   | 1,531,070   | 1,531,070   | 1,531,070  | 1,531,070    | 1,531,070  | 1,531,074    | 18,166,774  |
| Employee Benefits              | 250,000               | 1,000,000   | 1,865,413   | 1,865,413   | 1,865,413    | 1,865,413    | 1,865,413   | 1,865,413   | 1,865,413   | 1,865,413  | 1,865,413    | 1,865,413  | 8,265,413    | 28,169,543  |
| Books and Supplies             | 222,455               | 222,455     | 222,455     | 222,455     | 222,455      | 222,455      | 222,455     | 222,455     | 222,455     | 222,455    | 222,455      | 222,455    | 222,449      | 2,891,909   |
| Services                       | 444,208               | 703,196     | 1,264,139   | 1,180,965   | 1,027,775    | 1,365,444    | 1,375,066   | 750,768     | 623,616     | 1,470,946  | 1,013,670    | 889,347    | 889,346      | 12,998,486  |
| Capital Outlay                 | -                     | -           | 125,000     | -           | -            | -            | 125,000     | -           | -           | -          | -            | -          | -            | 250,000     |
| Other Outgo                    | 41                    | 41          | 74          | 285         | 58,953       | 74           | 7,170       | 26,321      | (91)        | (91)       | (91)         | 28,159     | 261,655      | 382,500     |
| Transfers Out                  | -                     | -           | -           | -           | -            | -            | -           | -           | -           | -          | -            | -          | -            | -           |
| All Other Financing Uses       | -                     | -           | -           | -           | -            | -            | -           | -           | -           | -          | -            | -          | -            | -           |
| TOTAL EXPENDITURES             | 1,916,704             | 6,295,778   | 8,653,237   | 8,445,274   | 8,350,752    | 8,629,542    | 8,771,260   | 8,041,113   | 7,887,549   | 8,734,879  | 8,277,603    | 8,181,533  | 11,169,937   | 103,355,161 |
| REVENUES MINUS EXPENDITURE     | (894,887)             | (3,468,661) | (5,940,689) | (7,074,141) | (5,335,207)  | 17,585,874   | (1,581,719) | (3,705,457) | (5,065,194) | 12,542,408 | (88,433)     | (629,232)  | 3,344,573    | (310,765)   |
| BALANCE SHEET TRANSACTIONS     |                       |             |             |             |              |              |             |             |             |            |              |            |              |             |
| Total Current Assets           | 7,430,376             | 707,937     | 5,515,070   | 196,745     | 69,610       | 83,961       | 400,000     | 51,101      | 2,519,818   | 232,681    | (122,240)    | 3,224,343  | (14,514,510) | 5,794,892   |
| Total Current Liabilities      | (5,500,000)           | 1,500,000   | (1,317,460) | 39,569      | 182,249      | 97,718       | 173,443     | (180,917)   | 97,318      | 956,093    | (5,276,668)  | 1,609,598  | 11,169,937   | 3,550,880   |
| TOTAL BALANCE SHEET TRANS.     | 1,930,376             | 2,207,937   | 4,197,610   | 236,314     | 251,859      | 181,679      | 573,443     | (129,816)   | 2,617,136   | 1,188,774  | (5,398,908)  | 4,833,941  | (3,344,573)  | 9,345,772   |
| BEG. CASH BALANCE, BEFORE TRAN | 3,810,016             | 4,845,505   | 3,584,781   | 1,841,702   | (4,996,125)  | (10,079,473) | 7,688,080   | 6,679,804   | 2,844,531   | 396,473    | 14,127,655   | 8,640,314  | 12,845,023   |             |
| NET CHANGE IN CASH             | 1,035,489             | (1,260,724) | (1,743,079) | (6,837,827) | (5,083,348)  | 17,767,553   | (1,008,276) | (3,835,273) | (2,448,058) | 13,731,182 | (5,487,341)  | 4,204,709  |              | 9,035,007   |
| END. CASH BALANCE, BEFORE TRAN | 4,845,505             | 3,584,781   | 1,841,702   | (4,996,125) | (10,079,473) | 7,688,080    | 6,679,804   | 2,844,531   | 396,473     | 14,127,655 | 8,640,314    | 12,845,023 | 12,845,023   |             |
| TRAN BORROWING                 |                       |             |             |             |              |              |             |             |             |            |              |            |              |             |
| FY 2024-25 Cross FY TRAN       | -                     | -           | -           | -           | -            | -            | -           | -           | -           | -          | -            | -          | -            | -           |
| FY 2025-26 TRAN                | -                     | -           | 17,000,000  | -           | -            | -            | (8,500,000) | -           | -           | -          | (8,500,000)  | -          | -            | -           |
| FY 2025-26 Cross FY TRAN       | -                     | -           | -           | -           | -            | -            | -           | -           | -           | -          | -            | -          | -            | -           |
| BEG. CASH BALANCE, AFTER TRAN  | 3,810,016             | 4,845,505   | 3,584,781   | 18,841,702  | 12,003,875   | 6,920,527    | 24,688,080  | 15,179,804  | 11,344,531  | 8,896,473  | 22,627,655   | 8,640,314  | 12,845,023   |             |
| NET CHANGE IN CASH             | 1,035,489             | (1,260,724) | 15,256,921  | (6,837,827) | (5,083,348)  | 17,767,553   | (9,508,276) | (3,835,273) | (2,448,058) | 13,731,182 | (13,987,341) | 4,204,709  |              | 9,035,007   |
| END. CASH BALANCE, AFTER TRAN  | 4,845,505             | 3,584,781   | 18,841,702  | 12,003,875  | 6,920,527    | 24,688,080   | 15,179,804  | 11,344,531  | 8,896,473   | 22,627,655 | 8,640,314    | 12,845,023 | 12,845,023   |             |

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## **APPENDIX B**

### **PROJECTED COVERAGE AND DEBT SET ASIDE TABLE**

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**Los Angeles County Schools Pooled Financing Program  
2025-26 Series A Tax and Revenue Anticipation Notes  
Projected Coverage and Set-Asides Table**

**\$17,000,000 Aggregate Principal Amount**

| <b>Participant</b>                                             | <b>Manhattan Beach<br/>Unified School District</b> |
|----------------------------------------------------------------|----------------------------------------------------|
| Note Amount                                                    | \$ 17,000,000                                      |
| 2025-26 Projected Total Revenues                               | \$ 103,044,396                                     |
| Note Amount as % of Proj. Total Revenues                       | 16.5%                                              |
| Note Amount w/ Interest <sup>(1)</sup>                         | \$ 17,481,667                                      |
| <b>Set-Asides</b>                                              |                                                    |
| First Set-Aside - January 2026                                 | \$ 8,500,000                                       |
| Final Set-Aside w/Interest - May 2026                          | \$ 8,981,667                                       |
| Total Set-Asides                                               | \$ 17,481,667                                      |
| <b>Projected Ending Cash Balances</b>                          |                                                    |
| After First Set-Aside (January 31, 2026) <sup>(2)</sup>        | \$ 15,179,804                                      |
| After Final Set-Aside (May 31, 2026)                           | \$ 8,640,314                                       |
| After Maturity (June 30, 2026)                                 | \$ 12,845,023                                      |
| Alternate Cash Resources <sup>(3)</sup>                        | \$ 4,256,604                                       |
| <b>Projected Coverage Metrics <sup>(4)</sup></b>               |                                                    |
| Coverage after First Set-Aside                                 | 2.79x                                              |
| Coverage after Final Set-Aside                                 | 1.96x                                              |
| Coverage at Maturity - June 2026                               | 1.73x                                              |
| Coverage at Maturity w/Alternate Cash Resources <sup>(3)</sup> | 1.98x                                              |

(1) Interest calculated using 4.00% coupon rate

(2) Projected ending cash balances do not reflect original issue premium, coupon payment, nor investment earnings

(3) Maximum legally borrowable amount of alternate cash resources (75% of total) projected as of June 30, 2026

(4) Respective set-aside amounts have been added to projected ending cash balances to calculate cash coverage metrics

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## APPENDIX C

### PROPOSED FORM OF OPINION OF BOND COUNSEL

*Upon the execution and delivery of the Certificates, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

[Closing Date]

County of Los Angeles  
Los Angeles, California 90012

Los Angeles County Office of Education  
Downey, California 90242

Ladies and Gentlemen:

We have examined a record of proceedings relating to the execution and delivery of \$17,000,000 aggregate principal amount of Los Angeles County Schools Pooled Financing Program 2025-26 Pooled TRAN Participation Certificates, Series A (the “Certificates”).

The Certificates are being executed and delivered pursuant to the Trust Agreement (the “Trust Agreement”), dated as of September 1, 2025, by and between the County of Los Angeles (the “County”) and The Bank of New York Mellon Trust Company, N.A., as certificate agent (the “Certificate Agent”). The Certificates evidence and represent proportionate and undivided interests in 2025-26 Tax and Revenue Anticipation Note (the “Note”) issued by Manhattan Beach Unified School District (the “Participant”), located in the County of Los Angeles (the “County”), and the debt service payment on the Note attributable to the Certificates to be made by the Participant. The Note is issued pursuant to Article 7.6, Sections 53850 et seq., and particularly under authority of Section 53853, of the California Government Code (the “Government Code”), and a resolution adopted by the governing board of the Participant (the “Participant Resolution”) and a resolution adopted by the Los Angeles County Board of Supervisors (the “Board of Supervisors”) on August 12, 2025.

Pursuant to the Trust Agreement, the Certificate Agent has acquired the Note and has executed and delivered the Certificates. The Certificates evidence proportionate and undivided interests of the registered owners thereof in the Note and the payment of principal of and interest on the Note by the Participant. The Note is a general obligations of the Participant, payable as to principal and interest from certain unrestricted revenues pledged by the Participant pursuant to Section 53856 of the Government Code and the Participant Resolution, and to the extent not paid from such pledged revenues, the Note shall be paid with interest thereon from any other moneys of the Participant lawfully available therefor, pursuant to Section 53857 of the Government Code.

In our capacity as Bond Counsel, we have examined certain estimates, expectations and assumptions made by or on behalf of the Participant, originals, or copies identified to our satisfaction as being true copies, of such records and proceedings of the County and the Participant, certificates of officials of the Participant and others, including a certificate of the Participant relating to certain federal income tax matters (a “Tax Certificate”), and such other documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions expressed below.

We are of the opinion that:

1. The Note has been duly authorized, executed, issued and delivered by, and constitutes a valid and legally binding obligation of the Participant, and is payable from the first unrestricted revenues of the Participant in the amount and on the date set forth in the Note, and, to the extent not so paid, from taxes, income, revenue, cash receipts and other moneys which are received by the Participant during or attributable to Fiscal Year 2025-26 of the Participant and lawfully available for payment of the Note. Such obligation, however, is subject to and may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and is subject to general principals of equity (regardless of whether such enforceability is considered in equity or at law).

2. The Trust Agreement has been duly authorized, executed and delivered by the County and, assuming due authorization, execution and delivery by the Certificate Agent, constitutes a valid and legally binding obligation of the County, enforceable in accordance with its terms.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Note designated as and comprising interest with respect to the Certificates is excluded from gross income for federal income tax purposes pursuant to Section 103 the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Note designated as and comprising interest with respect to the Certificates is not treated as a preference item in calculating the alternative minimum tax imposed under the Code, however, interest designated as and comprising interest with respect to the Certificates is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note and the execution and delivery of the Certificates in order that, for federal income tax purposes, interest on the Note designated as and comprising interest with respect to the Certificates is excluded from gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Note and the Certificates to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Note, the Participant will execute a Tax Certificate with respect to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Participant will covenant that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Note and Certificates will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 3, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Participant's Tax Certificate with respect to matters affecting the status of interest paid on the Note, and (ii) compliance by the Participant with the procedures and covenants set forth in its Tax Certificate as to such tax matters.

4. Under existing statutes, interest on the Note designated as and comprising interest with respect to the Certificates is exempt from present State of California personal income taxes.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note or the Certificates, or the ownership or disposition thereof, except as stated in paragraphs 3 and 4 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note designated as and comprising interest with respect to the Certificates.

The foregoing opinions are qualified to the extent that the enforceability of the Certificates, the Note, the Trust Agreement and the Tax Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law).

Very truly yours,

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## APPENDIX D

### THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

*The following information concerning the Los Angeles County Treasury Pool (the “Treasury Pool”) has been provided by the Treasurer and Tax Collector (the “Treasurer”) of Los Angeles County (the “County”) and has not been confirmed or verified by either the Participant or the Underwriter (each as defined in the forepart of this Official Statement). Moreover, neither the Participant nor the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.*

The Treasury Pool general information and portfolio statistics can be found at <https://ttc.lacounty.gov/monthly-reports/>. The foregoing internet address is included for reference only, and the information on such internet site is not incorporated by reference herein.

In accordance with California Government Code Section 53600 *et seq.*, the Treasurer manages funds deposited with it by the Participant. The County is required to invest such funds in accordance with California Government Code Section 53635 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the California Government Code.

All investments in the Treasurer’s investment portfolio conform to the statutory requirements of California Government Code Section 53635 *et seq.*, authorities delegated by the County Board of Supervisors and the Treasurer’s investment policy.

*Neither the Participant nor the Underwriter has made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described as attached hereto.*

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## THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (Treasury Pool). As of July 31, 2025, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

| <u>Local Agency</u>                         | <u>Invested Funds<br/>(in billions)</u> |
|---------------------------------------------|-----------------------------------------|
| County of Los Angeles and Special Districts | \$21.203                                |
| Schools and Community Colleges              | 28.703                                  |
| Discretionary Participants                  | <u>3.372</u>                            |
| Total                                       | \$53.278                                |

The Treasury Pool participation composition is as follows:

|                                          |              |
|------------------------------------------|--------------|
| Non-discretionary Participants           | 93.68%       |
| Discretionary Participants:              |              |
| Independent Public Agencies              | 6.20%        |
| County Bond Proceeds and Repayment Funds | <u>0.12%</u> |
| Total                                    | 100.00%      |

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 11, 2025, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Report of Investments dated August 31, 2025, the July 31, 2025, book value of the Treasury Pool was approximately \$53.278 billion, and the corresponding market value was approximately \$51.777 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of July 31, 2025:

| <b><u>Type of Investment</u></b>       | <b><u>% of Pool</u></b> |
|----------------------------------------|-------------------------|
| Certificates of Deposit                | 3.38                    |
| U.S. Government and Agency Obligations | 68.13                   |
| Bank Acceptances                       | 0.00                    |
| Commercial Paper                       | 28.43                   |
| Municipal Obligations                  | 0.06                    |
| Corporate Notes & Deposit Notes        | 0.00                    |
| Repurchase Agreements                  | 0.00                    |
| Asset Backed Instruments               | 0.00                    |
| Other                                  | <u>0.00</u>             |
|                                        | 100.00                  |

The Treasury Pool is highly liquid. As of July 31, 2025, approximately 44.31% of the investments mature within 60 days, with an average of 577 days to maturity for the entire portfolio.



**ELIZABETH BUENROSTRO GINSBERG**  
TREASURER AND TAX COLLECTOR

**COUNTY OF LOS ANGELES  
TREASURER AND TAX COLLECTOR**

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 437  
Los Angeles, California 90012  
Telephone: (213) 974-2101 Fax: (213) 626-1812  
ttc.lacounty.gov and propertytax.lacounty.gov

Board of Supervisors

HILDA L. SOLIS  
First District

HOLLY J. MITCHELL  
Second District

LINDSEY P. HORVATH  
Third District

JANICE HAHN  
Fourth District

KATHRYN BARGER  
Fifth District

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

March 11, 2025

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

18 March 11, 2025

EDWARD YEN  
EXECUTIVE OFFICER

Dear Supervisors:

**DELEGATION OF AUTHORITY TO INVEST AND  
ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR  
INVESTMENT POLICY  
(ALL DISTRICTS) (3-VOTES)**

**SUBJECT**

Delegation of authority to invest and reinvest County funds and funds of other depositors in the County Treasury to the Treasurer and Tax Collector (Treasurer), and adoption of the Treasurer and Tax Collector Investment Policy.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Delegate the authority to the Treasurer to invest and reinvest County funds and funds of other depositors in the County Treasury.
2. Adopt the attached Treasurer and Tax Collector Investment Policy (Investment Policy).

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The requested actions allow the Treasurer to continue to invest County funds and funds of other depositors in the County Treasury pursuant to the Investment Policy. On March 19, 2024, pursuant to Government Code (GC) Section 27000.1, and subject to GC Section 53607, your Board delegated to the Treasurer the annual authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury. GC Section 27000.1 states that subsequent to your Board's delegation, the Treasurer shall thereafter assume full responsibility for those transactions until your Board either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in GC Section 53607. This action requests renewal of the annual delegation.

GC Section 53646 permits your Board to annually approve the Investment Policy. The primary objectives of the Investment Policy, in priority order, are to maintain the safety of principal, to provide liquidity, and to achieve a return on funds invested. These objectives align with those in State law. Each year, my office reviews the Investment Policy to incorporate changes deemed necessary to meet our primary objectives and to ensure that it aligns with any changes in the GC.

Based on our analysis and in consideration of current market conditions, we recommend no changes to the Investment Policy for 2025. However, we have provided the annual update to the limitation calculation for intermediate-term, medium-term, and long-term holdings (Attachment III).

#### Update on Environmental, Social and Corporate Governance (ESG)

On March 9, 2021, your Board approved changes to the Investment Policy in areas related to the consideration of Environmental, Social and Corporate Governance (ESG). Consistent with the 2021 Investment Policy, we incorporated Sustainalytics ESG scores as part of our analysis of investment issuers and have taken action to reduce investments if an issuer's composite ESG score is weaker than the median score for its industry. To date, the consideration of ESG scores in determining our issuers' investment limits has not impacted the County Treasury's return on investments.

In Fiscal Year (FY) 2023-24, the percentage of approved issuers with ESG scores increased to 58%, from 57% the prior year. Our purchase volume from issuers with ESG scores increased, from \$30.3 billion in FY 2022-23, to \$33.2 billion in FY 2023-24. This increase is largely attributable to the growth in the investment pool size.

#### **Implementation of Strategic Plan Goals**

The recommended action supports County Strategic Plan North Star 3, Realize tomorrow's government today; Focus Area Goal G, Internal Controls and Processes; Strategy ii. Manage and Maximize County Assets.

#### **FISCAL IMPACT/FINANCING**

The investment of surplus County funds and funds of other depositors allows these funds to earn a return which is credited to the depositor, net of administrative expenses.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Pursuant to GC Section 27000.1, your Board may delegate by ordinance the authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury to the Treasurer. On January 23, 1996, your Board adopted Ordinance 96-0007 adding Los Angeles County Code Section 2.52.025, which delegated such authority to the Treasurer, subject to annual renewal pursuant to GC Section 53607. GC 53646 permits the Treasurer to render annually to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. This GC Section also requires that any change in the Investment Policy be submitted to your Board for review and approval at a public meeting.

#### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There is no impact on current services.

The Honorable Board of Supervisors

3/11/2025

Page 3

Respectfully submitted,

A handwritten signature in cursive script, reading "Elizabeth Buenrostro Ginsberg". The signature is written in dark ink and is positioned above the printed name.

ELIZABETH BUENROSTRO GINSBERG

Treasurer and Tax Collector

EBG:LP:DJJ:JK:bp

Enclosures

c: Chief Executive Officer  
Executive Officer, Board of Supervisors  
Auditor-Controller  
County Counsel

**COUNTY OF LOS ANGELES  
TREASURER AND TAX COLLECTOR  
INVESTMENT POLICY**

**Authority to Invest**

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer the authority to invest and reinvest the funds of the County and the funds of other depositors in the County Treasury.

**Fundamental Investment Policy**

The Treasurer, a trustee, is inherently a fiduciary and subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the Government Code and comply with the specific limitations set forth within this Investment Policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer is permitted to give written approval to operate outside the limitations set forth within this Investment Policy.

**Pooled Surplus Investment Portfolio**

The Treasurer SHALL establish and maintain a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County Treasury.

The investment policies of the PSI portfolio SHALL be directed by and based on three prioritized objectives. The primary objective SHALL be to ensure the safety of principal. The secondary objective SHALL be to meet the liquidity needs of the PSI participants, which might be reasonably anticipated. The third objective SHALL be to achieve a return on funds invested, without undue compromise of the first two objectives.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution on the basis of one-twelfth of the budgeted costs and adjusted periodically to actual costs.



Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed \$500 million without specific written approval of the Treasurer.

In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of accrued interest, at the time of transfer and the purchase price, exclusive of accrued interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the short-term category except that the Investment Office of the Treasurer's Office MAY make PSI investments in accordance with the limitations imposed in Attachments I, II, III, and IV (all of which are attached hereto and incorporated by this reference.)

The weighted average maturity target of the PSI portfolio is a range between 1.0 and 4.0 years. For purposes of maturity classification, the maturity date SHALL be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last 24 months' average total cash and investments, after adjustments, as indicated in Attachment III.

### **Business Continuity Plan**

The Treasurer's Business Continuity Plan (BCP) serves to sustain the performance of mission-critical Treasury functions in the event of a local or widespread emergency. The BCP includes written guidelines to perform critical Treasury functions, contact

information for key personnel, authorized bank representatives and broker/dealers. The Treasurer's Office implemented its BCP in 2007.

### **Liquidity of PSI Investments**

Short-term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer-term commitments, within 90 days.

Such liquidity SHALL be monitored where, at the beginning of each month, the par value for maturities in the next 90 days plus projected PSI deposits for 90 days, divided by the projected PSI withdrawals for 90 days plus discretionary PSI deposits, is equal to or greater than one.

The liquidation of investments is not required solely because the discretionary liquidity withdrawal ratio is less than one; however, investments SHALL be limited to a maximum maturity of 30 days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one.

The sale of any PSI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

### **Specific Purpose Investment Portfolio**

The Treasurer SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives of the SPI participants. Specific investments may be made with the approval of the requesting entity's governing body and the approval of the Treasurer. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made. The Treasurer reserves the right to establish and charge the requesting entity fees for maintaining the entity's SPI portfolio.

Investments SHALL be limited to the short-term category, as defined above in the previous section for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer, a longer term investment MAY be specifically made and held in the SPI portfolio.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

### **Execution, Delivery, and Monitoring of Investments**

The Treasurer SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer or his authorized designees, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Branch to assure compliance with this Investment Policy.

### **Reporting Requirements**

The Treasurer SHALL provide the Board of Supervisors with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, historical cost, market value and the source of the market valuation.
- Month-end bank balances for accounts under the control of the Treasurer.
- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.
- A description of all investment exceptions, if any, to the Investment Policy.
- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements for the participants for the next six months.

### **Discretionary Treasury Deposits and Withdrawal of Funds**

At the sole discretion of the Treasurer, PSI deposits may be accepted from local agencies not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

In accordance with Government Code Section 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, the Treasurer may delay such withdrawals until the impact can be mitigated.

### **Broker/Dealers Section**

Broker/Dealers SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

- A. Broker/Dealers with minimum capitalization of \$500 million and who meet all five of the below listed criteria:
  - 1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;
  - 2. Be a member of the Financial Industry Regulatory Authority and;
  - 3. Be registered with the Securities and Exchange Commission and;
  - 4. Have been in operation for more than five years; and
  - 5. Have a minimum annual trading volume of \$100 billion in money market instruments or \$500 billion in United States (U.S.) Treasuries and Agencies.
- B. Emerging firms that meet all of the following:
  - 1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;
  - 2. Maintain office(s) in California and;
  - 3. Maintain a minimum capitalization of \$250,000 and, at the time of application, have a maximum capitalization of no more than \$10 million.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

An approved Treasurer Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to accurately and timely provide the following information:

- A. Confirmation of daily trade transactions and all open trades in effect at month-end.
- B. Response to auditor requests for confirmation of investment transactions.
- C. Response to the Internal Controls Branch requests for needed information.

### **Honoraria, Gifts, and Gratuities Limitations**

The Treasurer, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax Collector employees SHALL be governed by the provision of the State's Political Reform Act, the Los Angeles County Code relating to Lobbyists, and the Los Angeles County Code relating to post government employment of County officials.

### **Investment Limitations**

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

For investment transactions in the PSI portfolio, the Investment Office SHALL obtain approval of the Treasurer before recognizing any loss exceeding \$100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes. Funds from bond proceeds may be invested in accordance with Government Code Section 53601(m), which permits investment according to the statutory provisions governing the issuance of those bonds, or in lieu of any statutory provisions to the contrary, in accordance with the approved financing documents for the issuance.

### **Consideration of Environmental, Social, and Corporate Governance (ESG) Scores**

The Treasurer considers that environmental, social and governance (ESG) factors may financially impact the safety, liquidity and yield of investment opportunities. The Treasurer therefore may pursue pragmatic and cost-effective means to consider such factors to fulfill the objectives set forth for the PSI Portfolio.

The Treasurer may also seek to further the County's sustainability goals and enhance the transition to a green economy, consistent with the County's Sustainability Plan, Our County, in its investment decisions, as long as such investments achieve substantially equivalent safety, liquidity and yield compared to other investment opportunities.

### **Permitted Investments**

Permitted Investments SHALL be limited to the following:

#### **A. Obligations of the U.S. Government, its agencies and instrumentalities**

1. Maximum maturity: None.
2. Maximum total par value: None.
3. Maximum par value per issuer: None.
4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate Instruments.

#### **B. Municipal Obligations from the approved list of municipalities (Attachment IV)**

1. Maximum maturity: As limited in Attachment IV.
2. Maximum total par value: 10% of the PSI portfolio.

#### **C. Asset-Backed Securities**

1. Maximum maturity: Five years.
2. Maximum total par value: 20% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.
4. All Asset-Backed securities must be rated in a rating category of "AA" or its equivalent or better rating and the issuer's corporate debt rating must be in a rating category of "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

**D. Bankers' Acceptance Domestic and Foreign**

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: 40% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. The aggregate total of Bankers' Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:
  - a) The total shareholders' equity of depository bank.
  - b) The total net worth of depository bank.

**E. Negotiable Certificates of Deposit (CD)**

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. Must be issued by:
  - a) National or State-chartered bank, or
  - b) Savings association or Federal association, or
  - c) Federal or State credit union, or
  - d) Federally licensed or State-licensed branch of a foreign bank.
5. Euro CD's:
  - a) Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.

- b) Maximum total par value: 10% of the PSI portfolio.
  - c) Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.
  - d) Limited to London branch of National or State-chartered banks.
6. The aggregate total of Bankers Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:
- a) The total shareholders' equity of depository bank.
  - b) The total net worth of the depository bank.

#### **F. Corporate and Depository Notes**

1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.
2. Maximum total par value: 30% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. Notes MUST be issued by:
  - a) Corporations organized and operating within the U.S.
  - b) Depository institutions licensed by the U.S or any State and operating within the U.S.
5. Additional limits in Section G apply if note is a Floating Rate Note Instrument.

#### **G. Floating Rate Notes**

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 million par value may be greater than five years to maturity.



2. Maximum total par value: 10% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. Benchmarks SHALL be limited to commercially available U.S. dollar denominated indexes.
5. The Investment Office SHALL obtain the prospectus or the issuer term sheet prior to purchase for all Floating Rate Notes and SHALL include the following on the trade ticket:
  - a) Specific basis for the benchmark rate.
  - b) Specific computation for the benchmark rate.
  - c) Specific reset period.
  - d) Notation of any put or call provisions.

#### **H. Commercial Paper**

1. Maximum maturity: 270 days and limits outlined in Attachment I for the issuer's current credit rating.
2. Maximum total par value: 40% of the PSI portfolio.
3. Maximum par value per issuer: The lesser of 10% of the PSI portfolio or the limits outlined in Attachment I for the issuer's current credit rating.
4. Credit: Issuing Corporation - Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):
  - a) The entity meets the following criteria:
    - 1) Is organized and operating in the U.S. as a general corporation.
    - 2) Has total assets in excess of \$500 million.
    - 3) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a NRSRO.

b) The entity meets the following criteria:

- 1) Is organized in the U.S. as a Limited Liability Company or Special Purpose Corporation.
- 2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
- 3) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

#### **I. Shares of Beneficial Interest**

1. Money Market Fund (MMF) - Shares of beneficial interest issued by diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. The company SHALL have met either of the following criteria:

- a) Attained the highest possible rating by not less than two NRSROs.
- b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of five hundred million dollars (\$500,000,000).

Maximum total par value: 15% of the PSI portfolio. However, no more than 10% of the PSI may be invested in any one fund.

2. State of California's Local Agency Investment Fund (LAIF) pursuant to Government Code Section 16429.1.
3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (o) of the Government Code. To be eligible, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
  - a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
  - b) The adviser has not less than five years of experience investing in the

securities and obligations authorized in Section 53601 (a) to (o) of the Government Code.

- c) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

#### **J. Repurchase Agreement**

1. Maximum maturity: 30 days.
2. Maximum total par value: \$1 billion.
3. Maximum par value per dealer: \$500 million.
4. Agreements must be in accordance with approved written master repurchase agreement.
5. Agreements must be fully secured by obligations of the U.S. Government, its agencies and instrumentalities. The market value of these obligations that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

#### **K. Reverse Repurchase Agreement**

1. Maximum term: One year.
2. Maximum total par value: \$500 million. Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.
3. Maximum par value per broker: \$250 million.
4. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the

Treasurer.

5. Agreements SHALL only be made for the purpose of enhancing investment revenue.
6. Agreements must be in accordance with approved written master repurchase agreement.
7. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.
8. The security to be sold on a reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.
9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.
10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.
11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

#### **L. Forwards, Futures and Options**

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a specific time period.

1. Maximum maturity: 90 days.
2. Maximum aggregate par value: \$100 million.
3. Maximum par value per counterparty: \$50 million. Counterparties for Forward and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated "A" or better from at least one nationally recognized rating agency.
4. The underlying securities SHALL be an obligation of the U.S. Government and its agencies and instrumentalities.
5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed \$100,000 for each occurrence or exceed a total of \$250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.
6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the Treasurer is obtained PRIOR to entering into the agreement.
7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Branch.
8. In conjunction with the sale of bonds, the Treasurer MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

#### **M. Interest Rate Swaps**

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating. Further, the counterparty to such an agreement SHALL be rated "A" or better from at least one nationally recognized rating agency selected by the Treasurer, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated "A" or better from at least one nationally recognized rating agency acceptable to the Treasurer.

## **N. Securities Lending Agreement**

Securities lending agreements are agreements under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.
2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.
3. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.
4. Agreements SHALL only be made for the purpose of enhancing investment revenue.
5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.
6. The security to be sold on securities lending agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.
7. The proceeds of the securities lending agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.
8. In no instance SHALL the investment from the proceeds of a securities lending agreement be sold as part of a subsequent reverse repurchase agreement or securities lending agreement.

## **O. Supranationals**

Supranationals are multilateral lending institutions that provide development financing, advisory services and other financial services to their member

countries to promote improved living standards through sustainable economic growth.

Supranational investments are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in Government Code Section 53601(q), with a maximum remaining maturity of five years or less, and which are eligible for purchase and sale within the United States. Supranational investments shall be rated in a rating category of "AA" or its equivalent or better by a NRSRO and shall not exceed 30% of the PSI portfolio.

1. Maximum maturity: Five years and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: 30% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

Permitted Investments are also subject to limitation based on the ESG score of individual issuers in comparison to the ESG score of the issuer's business sector, as rated by Sustainalytics. The limitation methodology is shown in Attachment II.

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ATTACHMENT I-a.

**MINIMUM CREDIT RATING  
DOMESTIC ISSUERS**

| Investment Type                                                              | Maximum Maturity                                       | Issuer Rating (1) |                   |               | Investment Limit                                                   |
|------------------------------------------------------------------------------|--------------------------------------------------------|-------------------|-------------------|---------------|--------------------------------------------------------------------|
|                                                                              |                                                        | S&P Global        | Moody's Analytics | Fitch Ratings |                                                                    |
| Bankers' Acceptance                                                          | 180 days                                               | A-1/AAA           | P-1/Aaa           | F1/AAA        | \$750MM                                                            |
|                                                                              |                                                        | A-1/AA            | P-1/Aa            | F1/AA         | \$600MM                                                            |
|                                                                              |                                                        | A-1/A             | P-1/A             | F1/A          | \$450MM, of which 50% may be over 90 days to a maximum of 180 days |
| Certificates of Deposit                                                      | 3 years                                                | A-1/AAA           | P-1/Aaa           | F1/AAA        | \$750MM, of which 50% may be over 180                              |
|                                                                              |                                                        | A-1/AA            | P-1/Aa            | F1/AA         | \$600MM, of which 50% may be over 180                              |
|                                                                              |                                                        | A-1/A             | P-1/A             | F1/A          | \$450MM, of which 50% may be over 90 days to a maximum of 180 days |
| Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN) | Corporate: 3 years<br>ABS: 5 years<br>FRN: 5 years (2) | A-1/AAA           | P-1/Aaa           | F1/AAA        | \$750MM, of which 50% may be over 180                              |
|                                                                              |                                                        | A-1/AA            | P-1/Aa            | F1/AA         | \$600MM, of which 50% may be over 180                              |
|                                                                              |                                                        | A-1/A             | P-1/A             | F1/A          | \$450MM, of which 50% may be over 90 days to a maximum of 180 days |

Notes:

- (1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 MM (million) par value may be greater than five years to maturity.



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ATTACHMENT I-b.

**MINIMUM CREDIT RATING  
FOREIGN ISSUERS**

| Investment Type                                                              | Maximum Maturity                                       | Issuer Rating (1) |                   |               | Investment Limit                                                    |
|------------------------------------------------------------------------------|--------------------------------------------------------|-------------------|-------------------|---------------|---------------------------------------------------------------------|
|                                                                              |                                                        | S&P Global        | Moody's Analytics | Fitch Ratings |                                                                     |
| Bankers' Acceptance                                                          | 180 days                                               | A-1/AAA           | P-1/Aaa           | F1/AAA        | \$600MM                                                             |
|                                                                              |                                                        | A-1/AA            | P-1/Aa            | F1/AA         | \$450MM                                                             |
|                                                                              |                                                        | A-1/A             | P-1/A             | F1/A          | \$300MM, of which 50% may be over 90 days to a maximum of 180 days. |
| Certificates of Deposit                                                      | 3 years                                                | A-1/AAA           | P-1/Aaa           | F1/AAA        | \$600MM, of which 50% may be over 180                               |
|                                                                              |                                                        | A-1/AA            | P-1/Aa            | F1/AA         | \$450MM, of which 50% may be over 180                               |
|                                                                              |                                                        | A-1/A             | P-1/A             | F1/A          | \$300MM, of which 50% may be over 90 days to a maximum of 180 days  |
| Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN) | Corporate: 3 years<br>ABS: 5 years<br>FRN: 5 years (2) | A-1/AAA           | P-1/Aaa           | F1/AAA        | \$600MM, of which 50% may be over 180                               |
|                                                                              |                                                        | A-1/AA            | P-1/Aa            | F1/AA         | \$450MM, of which 50% may be over 180                               |
|                                                                              |                                                        | A-1/A             | P-1/A             | F1/A          | \$300MM, of which 50% may be over 90 days to a maximum of 180 days  |

Notes:

- (1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 MM (million) par value may be greater than five years to maturity.

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ATTACHMENT I-c.

**MINIMUM CREDIT RATING  
SUPRANATIONAL ISSUERS**

| <b>Issuer Rating (1)</b> |                          |                      | <b>Investment Limit (2)</b>                                                           |
|--------------------------|--------------------------|----------------------|---------------------------------------------------------------------------------------|
| <b>S&amp;P Global</b>    | <b>Moody's Analytics</b> | <b>Fitch Ratings</b> |                                                                                       |
| AAA                      | Aaa                      | aaa                  | 30% of PSI Portfolio, of which 20% of the PSI Portfolio may be between 2 and 5 years. |
| AA                       | Aa                       | aa                   | 20% of PSI Portfolio, of which 10% of the PSI Portfolio may be between 2 and 5 years. |

Notes:

- (1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) Maximum combined par value for all issuers is limited to 30% of the PSI portfolio.

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ATTACHMENT I-d.

**MINIMUM CREDIT RATING  
COMMERCIAL PAPER**

| Maximum Maturity | Issuer Rating (1) (2) |                   |               | Investment Limit (3) |
|------------------|-----------------------|-------------------|---------------|----------------------|
|                  | S&P Global            | Moody's Analytics | Fitch Ratings |                      |
| 270 days         | A-1                   | P-1               | F1            | \$1.5 Billion        |

Notes:

- (1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
- (2) If an issuer has a long-term rating, it must be rated in a rating category of "A" or its equivalent or higher.
- (3) Maximum combined par value for all issuers is limited to 40% of the PSI portfolio.

**ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE (ESG) SCORE  
IMPACT ON INVESTMENT LIMITS**

If an issuer's Sustainalytics ESG score is weaker than the median Sustainalytics ESG score of its business sector, investment limits will be subject to the following investment limit reductions:

| <b>Score Differential</b>  | <b>Percentage Reduction<br/>of Investment Limit</b> |
|----------------------------|-----------------------------------------------------|
| $\leq 5$ points weaker     | 0%                                                  |
| $5 \leq 10$ points weaker  | 15%                                                 |
| $10 \leq 20$ points weaker | 30%                                                 |
| $> 20$ points weaker       | 50%                                                 |

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ATTACHMENT III

**LIMITATION CALCULATION FOR  
INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS  
(Actual \$)**

|                                                                                                          |                   |
|----------------------------------------------------------------------------------------------------------|-------------------|
| Average Investment Balance and Available Cash (1)                                                        | \$54,855,027,336  |
| Less:                                                                                                    |                   |
| ▪ 50% of Discretionary Deposits (1)                                                                      | (\$1,780,447,842) |
|                                                                                                          |                   |
| Average Available Balance                                                                                | \$53,074,579,494  |
| Multiplied by the Percent Available for Investment Over One Year                                         | 75%               |
| Equals the Available Balance for Investment Over One Year                                                | \$39,805,934,621  |
| Intermediate-Term (From 1 to 3 Years)<br>▪ One-third of the Available Balance for Investment             | \$13,268,644,874  |
| Medium-Term and Long-Term (Greater Than 3 Years)<br>▪ Two-thirds of Available Balance for Investment (2) | \$26,537,289,747  |

(1) 24 Month Average from December 2022 to November 2024.

(2) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate-Term investments.

**APPROVED LIST OF MUNICIPAL OBLIGATIONS**

1. Any obligation issued or caused to be issued by the County of Los Angeles on its behalf or on behalf of other Los Angeles County affiliates. If on behalf of other Los Angeles County affiliates, the affiliate must have a minimum rating of “A3” (Moody’s Analytics) or “A-” (S&P Global or Fitch Ratings). The maximum maturity is limited to 30 years.
2. Any short- or medium-term obligation issued by the State of California or a California local agency with a minimum Moody’s Analytics rating of “MIG-1” or “A2” or a minimum S&P Global rating of “SP-1” or “A.” Maximum maturity limited to five years.



