

Assessed Valuation and Parcels by Land Use

The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2017-18.

ASSESSED VALUATION AND PARCELS BY LAND USE

Fiscal Year 2017-18

Mt. San Jacinto Community College District

	2017-18 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Agricultural	\$2,508,656,453	3.02%	8,514	2.56%
Commercial and Industrial	11,835,664,758	14.23	9,167	2.76
Power Plant/Utility Roll	107,283,998	0.13	15	0.00
Vacant Commercial and Industrial	1,244,053,314	1.50	4,746	1.43
Vacant Other/Unclassified	<u>658,214,104</u>	<u>0.79</u>	<u>21,541</u>	<u>6.49</u>
Subtotal Non-Residential	\$16,353,872,627	19.66%	43,983	13.24%
Residential:				
Single Family Residence	\$57,212,099,261	68.76%	206,376	62.14%
Condominium/Townhouse	1,853,663,577	2.23	10,022	3.02
Mobile Homes/Mobile Home Lots	2,750,769,794	3.31	33,512	10.09
2-3 Residential Units	630,752,321	0.76	2,337	0.70
4+ Residential Units/Apartments	2,385,187,545	2.87	1,319	0.40
Miscellaneous Residential	42,132,471	0.05	301	0.09
Vacant Residential	<u>1,973,560,802</u>	<u>2.37</u>	<u>34,253</u>	<u>10.31</u>
Subtotal Residential	\$66,848,165,771	80.34%	288,120	86.76%
Total	\$83,202,038,398	100.00%	332,103	100.00%

⁽¹⁾ Total secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes

The following table shows the distribution of single family homes within the District among various fiscal year 2017-18 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES

Fiscal Year 2017-18

Mt. San Jacinto Community College District

	No. of <u>Parcels</u>	2017-18 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	206,376	\$57,212,099,261	\$277,223	\$264,056

2017-18 <u>Assessed Valuation</u>	No. of <u>Parcels</u> ⁽¹⁾	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$49,999	2,857	1.384%	1.384%	\$102,821,090	0.180%	0.180%
50,000 - 99,999	12,267	5.944	7.328	958,114,214	1.675	1.854
100,000 - 149,999	19,348	9.375	16.703	2,453,549,450	4.289	6.143
150,000 - 199,999	27,752	13.447	30.151	4,886,614,476	8.541	14.684
200,000 - 249,999	31,937	15.475	45.626	7,194,985,994	12.576	27.260
250,000 - 299,999	31,119	15.079	60.705	8,536,743,499	14.921	42.181
300,000 - 349,999	28,916	14.011	74.716	9,383,103,589	16.401	58.582
350,000 - 399,999	22,774	11.035	85.751	8,494,308,770	14.847	73.429
400,000 - 449,999	13,261	6.426	92.177	5,598,331,872	9.785	83.214
450,000 - 499,999	6,551	3.174	95.351	3,090,295,466	5.401	88.616
500,000 - 549,999	3,240	1.570	96.921	1,692,687,032	2.959	91.574
550,000 - 599,999	1,756	0.851	97.772	1,003,523,514	1.754	93.328
600,000 - 649,999	1,169	0.566	98.338	727,838,826	1.272	94.600
650,000 - 699,999	710	0.344	98.683	477,833,786	0.835	95.436
700,000 - 749,999	565	0.274	98.956	408,675,702	0.714	96.150
750,000 - 799,999	409	0.198	99.154	316,530,968	0.553	96.703
800,000 - 849,999	274	0.133	99.287	225,505,204	0.394	97.097
850,000 - 899,999	271	0.131	99.419	236,984,535	0.414	97.512
900,000 - 949,999	184	0.089	99.508	169,988,279	0.297	97.809
950,000 - 999,999	170	0.082	99.590	165,538,835	0.289	98.098
1,000,000 and greater	<u>846</u>	<u>0.410</u>	100.000	<u>1,088,124,160</u>	<u>1.902</u>	100.000
Total	206,376	100.000%		\$57,212,099,261	100.000%	

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

Source: California Municipal Statistics, Inc.

Assessed Valuation By Jurisdiction

The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2017-18 assessed valuation.

ASSESSED VALUATION BY JURISDICTION

Fiscal Year 2017-18

Mt. San Jacinto Community College District

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Banning	\$2,124,097,509	2.49%	\$2,124,097,509	100.00%
City of Beaumont	4,311,712,447	5.06	4,311,712,447	100.00
City of Calimesa	240,015,951	0.28	821,873,370	29.20
City of Canyon Lake	1,710,746,623	2.01	1,710,746,623	100.00
City of Desert Hot Springs	1,091,082	0.00	1,626,667,641	0.07
City of Hemet	5,595,252,589	6.56	5,595,252,589	100.00
City of Lake Elsinore	5,648,345,173	6.62	5,648,345,173	100.00
City of Menifee	8,894,547,190	10.43	8,894,547,190	100.00
City of Moreno Valley	22,357,227	0.03	14,833,775,985	0.15
City of Murrieta	12,655,490,422	14.84	12,655,490,422	100.00
City of Palm Springs	5,263,510	0.01	12,222,623,779	0.04
City of Perris	2,336,001,003	2.74	5,635,565,516	41.45
City of San Jacinto	2,825,788,152	3.31	2,825,788,152	100.00
City of Temecula	15,422,019,750	18.09	15,422,019,750	100.00
City of Wildomar	3,187,439,532	3.74	3,187,439,532	100.00
Unincorporated Riverside County	<u>20,291,551,748</u>	<u>23.80</u>	40,177,339,165	50.50
Total District	\$85,271,719,908	100.00%		
Riverside County	\$85,271,719,908	100.00%	\$263,669,553,595	32.34%

Source: California Municipal Statistics, Inc.

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Tax Levies, Collections and Delinquencies

The following tables show (i) secured *ad valorem* property tax levies within the County, and amounts delinquent as of June 30, for fiscal years 2007-08 through 2016-17, and (ii) secured *ad valorem* property tax levies within the District for payment of the District's general obligation bond debt service levy, and amounts delinquent as of June 30, for fiscal years 2015-16 through 2016-17. Secured tax charges and delinquencies data was not available for the District prior to the issuance of the Series A Bonds (as defined herein) in 2015.

SECURED *AD VALOREM* TAX CHARGES AND DELINQUENCIES Fiscal Years 2007-08 through 2016-17 Riverside County

	Secured Tax Charge ⁽¹⁾	Amt. Del. June 30	% Del. June 30
2007-08	\$3,004,452,144	\$264,391,789	8.80%
2008-09	3,075,820,762	229,007,435	7.45
2009-10	2,836,504,294	139,473,291	4.92
2010-11	2,741,187,190	100,251,771	3.66
2011-12	2,729,580,172	78,037,236	2.86
2012-13	2,735,589,685	66,131,737	2.42
2013-14	2,879,126,905	56,562,212	1.96
2014-15	3,098,720,857	53,174,673	1.72
2015-16	3,286,212,664	53,881,536	1.64
2016-17	3,462,539,979	52,936,859	1.53

⁽¹⁾ All property taxes collected by the County. Source: California State Controller's Office.
Source: California Municipal Statistics, Inc.

SECURED *AD VALOREM* TAX CHARGES AND DELINQUENCIES Fiscal Years 2015-16 through 2016-17 Mt. San Jacinto Community College District

	Secured Tax Charge ⁽¹⁾	Amt. Del. June 30	% Del. June 30
2015-16	\$10,219,585	\$165,568	1.62%
2016-17	10,232,941	163,651	1.60

⁽¹⁾ District's general obligation bond debt service levy.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – “Teeter Plan”

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, each participating local agency levying property taxes, including community college districts, receives from the county or counties in which it is located the amount of uncollected secured property taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the applicable county or counties receive(s) and retain(s) delinquent payments, penalties and interest as collected that would have been due to the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the applicable county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the applicable county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%. The Teeter Plan applies to the 1% general purpose secured property tax levy. Whether or not the Teeter Plan is also applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

The Board of Supervisors of the County has approved the implementation of the Teeter Plan. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency. The secured *ad valorem* property tax to be levied by the County to pay the principal of and interest on the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the secured *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

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Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2017-18 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2017-18 Mt. San Jacinto Community College District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2017-18 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Chelsea GCA Realty Partnership	Shopping Center	\$236,115,094	0.28%
2.	Abbott Cardiovascular Systems Inc.	Industrial	219,590,449	0.26
3.	Wal Mart Real Estate Business Trust	Commercial	169,547,865	0.20
4.	Temecula Towne Center Associates	Shopping Center	156,725,067	0.19
5.	Inland Empire Energy Center, LLC	Power Plant	105,800,000	0.13
6.	Temecula Valley Hospital Inc.	Medical Buildings	103,963,069	0.12
7.	Lowes HIW Inc.	Commercial	96,143,054	0.12
8.	Pardee Homes	Residential Development	84,920,641	0.10
9.	Lennar Homes of California Inc.	Residential Development	82,469,914	0.10
10.	Target Corp.	Commercial	80,810,128	0.10
11.	KB Home Coastal Inc.	Residential Development	78,046,658	0.09
12.	Oak Springs Partners	Apartments	77,144,001	0.09
13.	PHH Real Estate	Commercial	76,807,309	0.09
14.	Advanced Cardiovascular System Inc.	Industrial	74,313,326	0.09
15.	Cape May Temecula Apartments	Apartments	74,000,000	0.09
16.	Foothills at Old Town	Apartments	72,821,426	0.09
17.	Campanula Way Owner	Apartments	71,043,000	0.09
18.	Pacific Landing	Apartments	64,254,799	0.08
19.	Nestle Waters North America Inc.	Industrial	63,972,675	0.08
20.	Strata Waterstone	Apartments	62,251,364	0.07
			<u>\$2,050,739,839</u>	<u>2.46%</u>

⁽¹⁾ The fiscal year 2017-18 total secured assessed valuation of the District is \$83,202,038,398.

Source: California Municipal Statistics, Inc.

Tax Rates

Representative tax rate areas (each, a "TRA") located within the District are TRA 2-051 and TRA 23-003. The table below demonstrates the total *ad valorem* property tax rates levied as a percentage of assessed valuation by all taxing entities in these TRAs during the five-year period from fiscal years 2013-14 through 2017-18.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT Fiscal Years 2013-14 through 2017-18 Typical Tax Rate (TRA 2-051 and TRA 23-003)

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
<u>(TRA 2-051 – 2017-18 Assessed Valuation: \$1,473,480,873)</u>					
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Beaumont Unified School District	.09000	.08169	.07106	.07193	.07677
Mount San Jacinto Community College District	--	--	.01394	.01320	.01320
San Gorgonio Memorial Healthcare District	.11896	.11296	.08143	.08357	.09052
San Gorgonio Pass Water Agency	<u>.18500</u>	<u>.18500</u>	<u>.18500</u>	<u>.18500</u>	<u>.18250</u>
Total	1.39396%	1.37965%	1.35143	1.35370%	1.36299%
<u>(TRA 23-003 – 2017-18 Assessed Valuation: \$1,486,758,652)</u>					
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Lake Elsinore Unified School District	--	--	--	--	.01900
Mount San Jacinto Community College District	--	--	.01394	.01320	.01320
Metropolitan Water District	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>
Total	1.00350%	1.00350%	1.01744%	1.01670%	1.03570%

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective as of November 1, 2017. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Mt. San Jacinto Community College District

2017-18 Assessed Valuation: \$85,271,719,908

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 11/1/17</u>
Metropolitan Water District	2.712%	\$2,031,383
Mount San Jacinto Community College District	100.000	57,765,000⁽¹⁾
Banning Unified School District	100.000	64,194,326
Beaumont Unified School District	99.937	68,460,737
Lake Elsinore Unified School District	100.000	32,415,000
Hemet Unified School District	100.000	164,295,000
Murrieta Valley Joint Unified School District	100.000	166,932,982
San Jacinto Unified School District	100.000	66,278,971
Temecula Valley Unified School District	100.000	77,517,036
Perris Union High School District	100.000	106,662,301
School Districts	100.000	102,401,699
Eastern Municipal Water District Improvement Districts	20.581-100.000	28,023,544
San Geronio Memorial Health Care District	99.451	109,933,135
Community Facilities Districts	18.981-100.000	1,596,753,459
Riverside County Flood Control District Benefit Assessment Districts	56.454	9,456,078
Riverside County 1915 Act Bonds	100.000	1,245,000
City and Special District 1915 Act Bonds	57.728-100.000	36,040,329
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,690,405,980
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	32.340%	\$264,968,155
Riverside County Pension Obligation Bonds	32.340	92,665,419
Hemet Unified School District General Fund Obligations	100.000	52,515,000
Lake Elsinore Unified School District General Fund Obligations	100.000	33,056,647
San Jacinto Unified School District Certificates of Participation	100.000	42,595,000
Other Unified School District General Fund Obligations	99.937-100.000	34,491,612
Perris Union High School District Certificates of Participation	100.000	7,472,013
School District General Fund Obligations	100.000	35,416,750
City General Fund Obligations	0.043-100.000	51,719,361
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$614,899,957
Less: Riverside County supported obligations		1,567,597
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$613,332,360
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	2.616-100.000%	\$351,550,799
GROSS COMBINED TOTAL DEBT		\$3,656,856,736⁽²⁾
NET COMBINED TOTAL DEBT		\$3,655,289,139

Ratios to 2017-18 Assessed Valuation:

Direct Debt (\$57,765,000)	0.07%
Total Overlapping Tax and Assessment Debt.....	3.16%
Gross Combined Total Debt	4.29%
Net Combined Total Debt.....	4.29%

Ratios to 2017-18 Redevelopment Successor Agencies Incremental Valuation (\$10,736,737,493):

Total Overlapping Tax Increment Debt	3.27%
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⁽¹⁾ Excludes the Bonds.

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem property tax levied by the County for the payment thereof. See "THE BONDS — Security and Sources of Payment" herein. Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

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

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

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

Legislation Implementing Article XIII A

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

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

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will not be compensated by the State as equalization aid under the State's education financing formulas. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA - Major Revenues" herein.

Article XIII B of the California Constitution

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

- (a) "change in the cost of living" with respect to school districts and community college districts (collectively, "K-14 school districts") to mean the percentage change in State per capita income from the preceding year, and
- (b) "change in population" with respect to a K-14 school district means the percentage change in the average daily attendance of such K-14 district from the preceding fiscal year.

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

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

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

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

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

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, State voters approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State Constitution Articles XIII C and XIII D (respectively, "Article XIII C" and "Article XIII D"), which contain a number of provisions affecting the ability of local agencies, including K-14 school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the State Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as K-14 school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

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

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

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State

general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's budget for the State for each fiscal year.

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

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

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

prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" (also referred to as a "maintenance factor") to K-14 school districts which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-14 school districts, including the District, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

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

Jarvis vs. Connell

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

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

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to K-14 school districts, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by State voters on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to K-14 school districts or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on State transportation bonds, to borrow or change the distribution of State fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for State mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for K-14 school districts, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately \$1 billion annually for several decades. See also "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Dissolution of Redevelopment Agencies" herein.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than

\$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The 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. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

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

Proposition 2

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

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15 year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to

the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

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

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

Proposition 51

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

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

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

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 98, 39, 22, 26, 30, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

The information in this section concerning State funding of community college districts is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Major Revenues

State community college districts (other than Community Supported (basic aid) districts, as described below) receive a majority of their funding from the State, and the balance from local and federal sources. State funds include general apportionment, categorical funds, capital construction, lottery funds (which generally is less than 3 percent), and other minor sources. Local funds include property taxes, student fees and miscellaneous sources.

Senate Bill 361 ("SB 361") established the present system of funding for community college districts. This system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the statewide governing board of the State community colleges (the "Board of Governors") in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors was required to acknowledge community college districts' need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding received based on the number of credit and noncredit FTES in each district.

SB 361 also specified that, commencing with the 2006-07 fiscal year, the minimum funding per FTES would be not less than \$4,367 per credit FTES and at a uniform rate of \$2,626 per noncredit FTES. SB 361 also created a new instructional category of "career development and college preparation" ("CDCP") enhanced non-credit rate. Although CDCP FTES were initially funded at a lower rate than credit FTES, subsequent legislation effective as of the 2015-16 fiscal year set the minimum funding for CDCP FTES at the same level as credit FTES. Each such minimum funding rate is subject to cost of living

adjustments (each, a "COLA"), if any, funded through the State budgeting legislation in each fiscal year. Pursuant to SB 361, the State Chancellor developed criteria for one-time grants for districts that would have received more funding under the prior system or a then-proposed rural college access grant, than under the new system.

One unit of FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District.

In each fiscal year, the State budget will establish an enrollment cap on the maximum number of resident FTES, known as the "funded" FTES, for which a community college district will receive a revenue allocation, as determined by the program-based model. A district's enrollment cap is based on the previous fiscal year's reported FTES, plus the growth allowance provided for by the State budget, if any. All student hours in excess of the enrollment cap are considered "unfunded" FTES. Nonresident and international students are excluded from the State funding formula and pay full tuition.

The table below shows the District's resident FTES figures for the last nine fiscal years, along with projected FTES for the current fiscal year.

FULL TIME EQUIVALENT STUDENTS⁽¹⁾
Fiscal Years 2008-09 through 2017-18
Mt. San Jacinto Community College District

<u>Fiscal Year</u>	<u>Funded FTES</u>	<u>Unfunded FTES⁽²⁾</u>	<u>Total FTES</u>
2008-09	10,598.42	1,032.93	11,631.35
2009-10	10,199.22	2,823.29	13,022.51
2010-11	10,489.99	1,019.42	11,509.41
2011-12	9,688.01	995.87	10,683.87
2012-13	9,897.95	154.29	10,052.24
2013-14	10,128.41	493.61	10,622.02
2014-15	10,634.93	353.27	10,988.20
2015-16	11,889.65	--	11,889.65
2016-17	12,301.49	--	12,301.49
2017-18 ⁽²⁾	12,301.49	--	12,301.49

⁽¹⁾ [Reflects resident FTES only. Non-resident FTES counts are generally excluded from State funding formula calculations.]

⁽²⁾ Projected.

Source: Mt. San Jacinto Community College District.

The major local revenue source is local property taxes that are collected from within District boundaries, with student enrollment fees accounting for most of the remainder. A small part of a community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations, educational foundation contributions and sales of property. Every community college district receives the same amount of State lottery funds per pupil from the State, however, these are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery requires the funds to be used for instructional purposes, and prohibits their use for capital purposes.

The sum of the property taxes, student enrollment fees, and State aid generally comprise the District's State apportionment. State aid is subject to the appropriation of funds in the State's annual budget. Thus, decreases in State revenues may affect appropriations made by the State Legislature to the District.

"Community Supported" (basic aid) community college districts are those districts whose local property taxes, student enrollment fee collections, and EPA funds exceed the revenue allocation determined by the program based model. Community Supported districts do not receive any general apportionment funding from the State (though they are currently entitled to the minimum amount of funding derived from taxes levied pursuant to Proposition 30, in an amount equal to \$100 per unit of FTES). See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30 and Proposition 55" herein. The current law in the State allows these districts to keep the excess funds without penalty. The implication for Community Supported districts is that the legislatively determined annual COLAs and other politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determining factors. The District is not a Community Supported district.

Budget Procedures

On or before September 15, the Board of Trustees of a community college district is required under State Code of Regulations Section 58305 to adopt a balanced budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges (the "Chancellor's Office") submits to the State Department of Finance (the "DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the Governor, and by January 10 a proposed State budget is presented by the Governor to the State Legislature. The Governor's State budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May of each year, based on the debate, analysis and changes in the economic forecasts, the Governor issues a revised budget with changes he or she can support. The law requires the State Legislature to submit its approved budget by June 15, and by June 30 the Governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the Board of Governors and the Chancellor's Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of the State's community college districts. In accordance with statutory and regulatory provisions, the State Chancellor has been given the responsibility to identify community college districts at risk and, when necessary, the authority to intervene in the management of a community college district to bring about improvement in such district's financial condition. To stabilize a district's financial condition, the State Chancellor may, as a last resort, seek an appropriation from the State for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the State Chancellor will pay special attention to each district's general fund balance, spending pattern, and FTES patterns. Those districts with greater financial difficulty will receive follow-up visits from the State Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

See "MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT – General Fund Budgeting" herein for more information regarding the District's recent budgeting trends.

Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111

General. In 1988, State 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 school district funding. The constitutional provision links the K-14 school district funding formulas to growth factors that are also used to compute the State appropriations limit. 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" ("Test 3") to calculate the annual funding guarantee. This third calculation is operative in years in which State general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual COLA for the minimum guarantee for annual K-14 funding would be the change in the State's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein.

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Under implementing legislation for Proposition 98 (AB 198 and SB 98 of 1989), each segment of public education (K-14 school districts, and direct elementary and secondary level instructional services provided by the State) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is the 1989-90 fiscal year. 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 under 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. This statutory split has been suspended in every year beginning with fiscal year 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in fiscal year 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 fiscal year 1992-93 and increased in fiscal year 1993-94, the percentage dropped to 33.0%.

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

Test 3, established pursuant to Proposition 111, 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 1% 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 (also referred to as a "maintenance factor") 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 Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("Matosantos"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the DOF that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a

redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the affected local taxing entity uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABx1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received . . . had the redevelopment agency existed at that time," and that the county auditor-controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABx1 26 using current assessed values . . . and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

State Assistance

State community college districts' principal funding formulas and revenue sources are derived from the State budget. The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, neither the District nor the Underwriter has independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof.

2017-18 Budget. On June 27, 2017, the Governor signed into law the State budget for fiscal year 2017-18 (the "2017-18 Budget"). The following information is drawn from the LAO's preliminary review of the 2017-18 Budget.

For fiscal year 2016-17, the 2017-18 Budget projects total general fund revenues and transfers of \$118.5 billion and total expenditures of \$121.4 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$7.4 billion, including \$642 million in the traditional general fund reserve and \$6.7 billion in the BSA. For fiscal year 2017-18, the 2017-18 Budget projects total general fund revenues of \$125.9 billion, reflecting a 6% increase over the prior year and driven primarily by a projected 5% increase in personal income, sales and use tax collections. The 2017-18 Budget authorizes expenditures of \$125.1 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of \$9.9 billion, including \$1.4 billion in the traditional general fund reserve and \$8.5 billion in the BSA.

With respect to education funding, the 2017-18 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2015-16 and 2016-17, as a result of lower-than-estimated general fund revenue collections. The 2017-18 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at \$68.7 billion, a decrease of \$379 million from the prior year. However, total

Proposition 98 funding exceeded the minimum guarantee by \$53 million as a result of various adjustments related to the Local Control Funding Formula and community college apportionments. The 2017-18 Budget revises the minimum funding guarantee for fiscal year 2016-17 at \$71.3 billion, reflecting a decrease of \$558 million from the prior year. Total spending, however, exceeded the minimum funding guarantee by approximately \$29 million, as a result of a \$514 million "settle up" payment related to an obligation created by understating the minimum guarantee in a prior year.

For fiscal year 2017-18, the 2017-18 Budget sets the minimum funding guarantee at \$74.5 billion, reflecting an increase of \$3.1 billion (or 4.4%) from the revised prior-year level. Fiscal year 2017-18 is projected to be a "Test 2" year, with the change in the minimum funding guarantee attributable to a 3.7% increase in per capita personal income and a projected 0.05% decline in school district attendance. With respect to community college education, the 2017-18 Budget sets Proposition 98 funding at \$8.6 billion, including \$5.7 billion from the State general fund, reflecting an increase of \$324 million (or 3.9%) from the prior year. Per-FTES spending increases \$363 (or 4.3%) to \$7,416.

Other significant features with respect to community college education funding include the following:

- *Enrollment; Apportionments* – An increase of \$58 million in Proposition 98 funding to base allocations to support a 1% growth in enrollment systemwide. The 2017-18 Budget also provides \$98 million to fund a 1.56% COLA to apportionments, \$5 million to fund a 1.56% COLA to selected categorical programs, and \$1 million to fund a COLA for financial aid administration. In addition to these base increases, the 2017-18 Budget provides \$184 million that community college districts may use to fund any educational or operational purpose, including hiring additional faculty, paying retirement costs, professional development and facility maintenance.
- *Student Success* – An increase of \$150 million in one-time funding for an initiative focused on assisting community college districts (i) integrate existing student success programs and services, (ii) build internal capacity for data analysis, leadership, planning and program implementation, and (iii) develop structured academic courses for incoming students.
- *Financial Aid* – An increase of \$25 million in Proposition 98 funding to increase the maximum annual Full Time Student Success Grant. This grant was created in fiscal year 2015-16 and provides additional aid to community college students who carry 12 or more credits per term and qualify for Cal Grant B and Cal Grant C awards. The 2017-18 Budget also provides \$25 million for a Community College Completion Grant, which would provide an additional \$2,000 annually for grant recipients that develop a comprehensive education plan and carry 15 or more units per term. Lastly, the 2017-18 Budget includes \$1.7 million to double the Cal Grant C book and supply award.
- *Innovation Awards* – \$20 million in one-time Proposition 98 funding for awards to community college districts that develop innovations that both address specified groups of underrepresented students and use technology to improve instruction and support services.
- *On-line Education* – An increase of \$10 million in Proposition 98 funding, for total ongoing funding of \$20 million, to provide system-wide access to the California Online Education Initiative, a grant-funded collaborative effort among community colleges to increase access to and success in high-quality online courses.

- *Library Systems* – An increase of \$6 million in one-time Proposition 98 funding to the California Community College Technology Center, a grant funded project that coordinates statewide technology projects. The funding is intended to assist in the procurement and operational of an integrated library system for State community college students.
- *Deferred Maintenance and Instructional Equipment* – An increase of \$77 million in one-time Proposition 98 funding for deferred facility maintenance, special repairs, hazardous substance abatement, architectural barrier removal, or specified water conservation projects. Funds will be allocated based on FTES enrollment.
- *Proposition 51* – A total allocation of \$16.9 million in Proposition 51 bond funds for initial design activities for 15 projects at 14 community college districts.

For additional information regarding the 2017-18 Budget, see the DOF's website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Future Budgets and Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund school districts and community college districts. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

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

General Information

The District was established in 1962 and provides higher education in the central and southwestern portions of the County. The District operates one college, the College, on campuses in San Jacinto, Menifee, San Geronio Pass and Temecula, and serves approximately 17,000 students per semester. The College is currently fully accredited by the ACCJC. For fiscal year 2017-18, the District has projected a FTES count of approximately 12,301, and has a total assessed valuation of \$85,271,719,908.

Administration

The District is governed by a five-member Board, each member of which is elected by trustee area to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Bill Zimmerman	President	2018
Tom Ashley	Clerk	2020
Sherrie Guerrero, Ed.D.	Trustee	2020
Dorothy McGargill	Trustee	2020
Ann Motte	Trustee	2018

The Superintendent/President of the District is appointed by the Board and reports to the Board. The Superintendent/President is responsible for management of the District's day-to-day operations and supervises the work of other key administrators. Dr. Roger Schultz is the District's current Superintendent/President.

Brief biographies of the Superintendent/President and the Vice President of Business Services follow:

Roger Schultz, Ph.D., Superintendent/President. Dr. Schultz has held the position of Superintendent/President since 2008. He joined the District in 2001 as Vice President of Student Services and has also served as interim Vice President of Instruction. Dr. Schultz's experience in higher education dates back to 1988, when he worked at the University of Southern California for several years. He also served as Dean of Admissions, Records and International Education at Long Beach City College. Dr. Schultz received a Bachelor of Arts in Broadcast Journalism from the University of Southern California, a Master's degree in Communication Management from the University of Southern California's Annenberg School of Communication and a Doctorate in Leadership for Higher Education from Capella University.

Beth Gomez, Vice President of Business Services. Ms. Gomez was appointed Vice President, Business Services in July 2017. Immediately prior to joining the District, Ms. Gomez served as Vice President of Business Services for Norco College in the Riverside Community College District. She has also previously served as the Dean of Business Services at the District, the District Budget Manager at Riverside Community College District, Administrative Services Officer of a Special District, and a Finance Manager with the County. Ms. Gomez received a Bachelor's degree in Business Administration from California State University, San Bernardino, and a Master's degree in Education from California Baptist University.

Labor Relations

The District currently employs ___ full-time and ___ part-time faculty professionals, ___ full-time and ___ part-time classified employees and ___ supervisors/managers. District employees, except management and some part-time employees, are represented by three bargaining units as shown in the following table:

BARGAINING UNITS Mt. San Jacinto Community College District

<u>Bargaining Unit</u>	<u>Number of Employees in Bargaining Unit</u>	<u>Contract Expiration Date</u>
Faculty Association, Inc., CTA/NEA		June 30, 2017 ⁽¹⁾
California School Employees Association		June 30, 2017 ⁽¹⁾
Communication Workers of America		June 30, 2018

⁽¹⁾ Employees continue to work under the terms of the respective expired contracts while new contracts are negotiated.
Source: Mt. San Jacinto Community College District.

Retirement Programs

The information forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

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

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

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014,

the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

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

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

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. While the contribution rate for employees hired after the Implementation Date will remain unchanged at 9.205% of creditable compensation for fiscal year commencing July 1, 2017, the STRS actuary currently estimates that member contribution rates for such members will have to increase to 10.205% of creditable compensation effective July 1, 2018, based on the new actuarial assumptions discussed below.

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

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

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

Source: AB 1469.

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

The District's contributions to STRS were \$1,697,475 in fiscal year 2013-14, \$1,902,359 in fiscal year 2014-15, \$2,735,906 in fiscal year 2015-16 and \$3,577,162 in fiscal year 2016-17. The District has projected \$5,243,134 for its contribution to STRS for fiscal year 2017-18.

The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll for fiscal year 2017-18. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 15.531% of eligible salary expenditures for fiscal year 2017-18. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries in fiscal year 2017-18, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% of their respective salaries for fiscal year 2017-18. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$1,690,969 in fiscal year 2013-14, \$1,792,923 in fiscal year 2014-15, \$2,016,936 in fiscal year 2015-16 and \$2,595,998 in fiscal year 2016-17. The District has projected \$3,557,028 for its contribution to PERS for fiscal year 2017-18.

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

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

FUNDED STATUS
Fiscal Years 2010-11 through 2015-16
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions) ⁽¹⁾

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)</u>	<u>Unfunded Liability (MVA)</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾

⁽¹⁾ Amounts may not add due to rounding.

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

⁽³⁾ Reflects actuarial value of assets.

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

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect members’ increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the “2016 STRS Actuarial Valuation”). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the

2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial valuation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2016 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the STRS Board, recent investment experience and the insufficiency of the contributions received in fiscal year 2015-16 to cover interest on the unfunded actuarial obligation, the 2016 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by \$20.5 billion since the June 30, 2015 actuarial valuation and the funded ratio decreased by 4.8% to 63.7% over such time period. Had the investment rate of return been lowered to 7.00% for the 2016 STRS Actuarial Valuation, the unfunded actuarial obligation and the funded ratio would have been \$105.1 billion and 61.8%, respectively. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2016 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be sufficient to finance its obligations, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate went into effect July 1, 2017 for the State and will go into effect July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

Based on the Schools Pool Actuarial Valuation as of June 30, 2016 (the "2016 PERS Actuarial Valuation"), the three-year phased in reduction of the discount rate is currently projected to result in an employer contribution rate of 17.7% for fiscal year 2018-19, and annual increases thereafter, resulting in a projected 25.1% employer contribution rate by fiscal year 2024-25. Such projections contained in the 2016 PERS Actuarial Valuation assume that all other actuarial assumptions will be realized and no changes to assumptions, contributions, benefits or funding will occur during the projected period. The 2016 PERS Actuarial Valuation continues to use the Entry Age Normal Actuarial Cost Method, a 3.0% annual payroll growth (compounded annually) and a 2.75% inflation rate (compounded annually).

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

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

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

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

GASB Statement Nos. 67 and 68. On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved Statements Nos. 67 and 68 (the "Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments

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

For the fiscal year ending June 30, 2017, the District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of STRS and PERS as shown in the following table.

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
STRS	\$40,114,200	\$11,013,450	\$938,056	\$6,060,789
PERS	28,333,305	8,652,751	831,716	4,091,494
Total	<u>\$68,447,505</u>	<u>\$19,666,201</u>	<u>\$1,769,772</u>	<u>\$10,152,283</u>

Source: Mt. San Jacinto Community College District.

For more information, see "APPENDIX B – THE 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9" attached hereto.

Other Post-Employment Benefits

Benefits Plan. The District administers a single-employer defined benefit plan (the "Plan") that provides post-retirement health benefits (the "Benefits") to eligible employees and their spouses, for up to 10 years. Eligible employees are those who retire from the District on or after attaining the minimum age allowed for retirement with at least five years of service to the District. As of June 30, 2017, membership in the Plan consisted of 83 retirees receiving the Benefits, and 517 active Plan members.

Funding Policy. The District has established an irrevocable trust with California Employers' Retirement Benefit Trust to prefund future obligations (the "Trust"). As of June 30, 2017, the value of the Trust's assets was \$4,611,072. The District's required contribution to the Plan is based on a projected pay-as-you-go financing requirement with an additional amount to prefund the Benefits deposited to its Trust, as determined through agreements between the District and its bargaining units. In fiscal year 2014-15, the District contributed \$327,712 for pay-as-you-go premiums and \$500,000 to the Trust. In fiscal year 2015-16, the District contributed \$445,442 for pay-as-you-go premiums and \$500,000 to the Trust. In fiscal year 2016-17, the District contributed \$610,993 for pay-as-you-go premiums and \$500,000 to the Trust. For fiscal year 2017-18, the District has projected a contribution of \$635,370 for pay-as-you-go premiums and \$500,000 to the Trust.

Accrued Liability. The District has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which the District has commissioned and received several actuarial studies of its accrued liabilities with respect to the Benefits. The most recent of these studies (the "Study"), dated October 26, 2017, determined that the total actuarial accrued liability (the "AAL") with respect to the Benefits, as of a June 30, 2017 valuation date, was \$11,590,212, and that the actuarial value of assets in the Trust irrevocably pledged to the payment thereof was \$4,611,072, leaving an unfunded actuarial accrued liability (the "UAAL") of \$6,979,140. The Study also concluded that the annual required contribution ("ARC") was \$635,370. The ARC is the amount that would be necessary to fund the value of future Benefits earned by current employees during each fiscal year (the "Normal Cost") and the amount necessary to amortize the UAAL, in accordance with GASB Statements Nos. 43 and 45.

Net OPEB Asset. As of June 30, 2017, the District recognized a net long-term balance sheet asset of \$1,751,030 with respect to the Benefits, based on its contributions towards the ARC and to the Trust for fiscal year 2016-17. See also "APPENDIX A – THE 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 8" attached hereto.

CalSTRS Golden Handshake Agreement

The District has adopted an early retirement incentive program pursuant to Education Code Sections 22714 and 87488, whereby the service credit to eligible employees is increased by two years (and age is increased by two years). Eligible employees must have five or more years of service under STRS and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District. The final payment in connection with this early retirement incentive was paid during fiscal year 2016-17 in the amount of \$389,213. The District has no additional liability associated with this program.

Supplemental Early Retirement Plan

The Board established a retirement plan for certain eligible employees of the District effective July 1, 2013. The eligibility requirements for employees to participate in such a plan are:

- a. Faculty, Classified, Management, and Confidential employees of the District.
- b. Employee must be at least 55 years of age by June 30, 2013 (Group I) or December 31, 2013 (Group II).
- c. Employee must have five years of service with the District by date of retirement.
- d. Employee must declare intention to retire during the window period of February 14, 2013 through April 9, 2013.

The benefit under this plan was based on a formula of 66% of salary funded over a five-year period. As of June 30, 2017, there were 25 participants that elected early retirement under this plan. A minimum annual payment of \$95,061 is due in fiscal year 2017-18.

Risk Management

Insurance Coverages. The District is exposed to various risks of loss related to torts and liability; theft of, damage to and destruction of assets; errors and omissions and injuries to employees. The District obtains coverage for these risks as a member of various joint powers authorities (each a "JPA") or through the purchase of coverage from a risk retention group. The District uses Schools Association for Excess Risk ("SAFER") for excess property limits of \$250,000,000 per occurrence, with no aggregate and a \$5,000 member retained limit. The District obtains excess liability for the first \$1,000,000 worth of coverage

through the Statewide Association of Community Colleges ("SWACC") and \$24,000,000 excess coverage of \$1,000,000 from SAFER with a \$10,000 member retained limit.

Joint Powers Authority Risk Pools. During fiscal year 2016-17, the District contracted with SWACC for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation. During fiscal year 2016-17, the District participated in the Protected Insurance Programs for Schools ("PIPS") JPA, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

<u>Insurance Program/JPA Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Protected Insurance Programs for Schools (PIPS)	Workers' Compensation	\$155,000,000
Schools Association for Excess Risk (SAFER)	Excess liability	24,000,000
Statewide Association of Community Colleges (SWACC)	Property (per occurrence)	250,000,000
Statewide Association of Community Colleges (SWACC)	Liability (per occurrence)	25,000,000

Source: Mt. San Jacinto Community College District.

Employee Medical Benefits. The District has contracted with Riverside County Employer/Employee Partnerships for Benefits ("REEP") JPA through Keenan & Associates, Kaiser Permanente, Anthem Blue Cross, United Health, and Pacific Care plans to provide employee medical benefits. The District provides health and welfare benefits to all full-time and permanent part-time employees (20 hours or more). Those employees working less than full-time receive a pro-rata share of the benefits package. Employees in positions less than 20 hours per week do not receive any fringe benefits.

If the employee elects not to enroll for health insurance coverage from one of the carriers provided by the District, such employee must provide evidence of other health insurance coverage.

- Medical - The employee has a choice of Kaiser Permanente, Anthem Blue Cross, United Health, and Pacific Care plans. The employee may elect to change carriers once per year during open enrollment. Normally, such election shall be effective July 1 of each year.
- Dental - Delta, MetLife, and MetLife/Safeguard carried insurance coverage for employees and is provided by the District. All employees shall participate in the program.
- Life Insurance - The District provides a \$20,000 group term life insurance policy by a carrier designated by REEP. All employees participate in this life insurance program.

Rates are set by the REEP for Benefits JPA. The District pays monthly premiums which are placed in a common fund with REEP for Benefits from which claim payments are made for all participating districts. Claims are paid for all participants regardless of the claim's expense. The REEP for Benefits

Board of Directors has the right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the State Education Code, is to be followed by all State community college districts. GASB has released (i) Statement No. 34, which is effective for the District and makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted, and (ii) Statement No. 35, which is effective for the District and makes changes in the required content and format of annual financial statements for public colleges and universities. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

General Fund Budgeting

The District's general fund is its largest source of support for District operations. General fund income and appropriations are allocated between unrestricted and restricted programs. The table on the following page shows the District's combined restricted and unrestricted general fund budgets for fiscal years 2013-14 through 2017-18, unaudited actual results for fiscal years 2013-14 through 2016-17, and projected actual results for fiscal year 2017-18.

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GENERAL FUND BUDGETING
Fiscal Years 2013-14 through 2017-18
Mt. San Jacinto Community College District

	Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18	
	Budgeted ⁽¹⁾	Ending ⁽¹⁾	Budgeted ⁽¹⁾	Ending ⁽¹⁾	Budgeted ⁽¹⁾	Ending ⁽¹⁾	Budgeted ⁽¹⁾	Ending ⁽¹⁾	Budgeted ⁽¹⁾	Projected ⁽²⁾
REVENUES:										
Federal Revenues	\$3,991,372	\$3,123,754	\$4,048,392	\$3,324,023	\$4,047,991	\$3,645,887	\$3,709,250	\$2,824,705	\$3,530,110	
State Revenues	35,680,005	37,211,040	39,786,162	40,036,007	52,355,824	53,900,866	60,441,068	52,898,395	59,931,431	
Local Revenues	24,465,535	25,268,956	24,570,708	27,424,560	33,043,248	32,825,972	35,960,249	36,197,628	35,492,175	
Total Revenues	64,136,912	65,603,750	68,405,262	70,784,590	89,447,063	90,372,725	100,110,567	91,920,728	98,953,716	
EXPENDITURES:										
Academic Salaries	23,163,606	23,081,576	24,514,391	25,002,435	31,560,789	29,692,632	35,678,089	32,366,274	37,276,277	
Classified Salaries	16,443,686	15,489,101	17,722,380	16,317,404	19,957,862	18,159,040	22,748,267	19,535,561	23,346,574	
Employee Benefits	10,693,495	10,038,417	11,525,206	11,367,030	20,220,547	14,466,253	21,013,044	19,136,076	22,214,208	
Supplies and Materials	1,451,882	1,362,624	1,724,115	1,674,444	3,564,500	1,874,065	3,431,637	1,748,013	3,137,575	
Other Operating Expenses and Services	8,908,426	8,113,012	10,681,534	8,759,323	15,863,944	10,878,348	16,809,053	11,457,283	16,531,938	
Capital Outlay	2,954,993	2,055,775	3,319,113	3,138,905	3,443,197	2,774,718	4,134,275	3,212,851	4,173,548	
Total Expenditures	63,616,088	60,140,505	69,486,739	66,259,541	94,610,839	77,845,056	103,814,365	87,456,058	106,680,120	
Excess (Deficiency) of Revenues over Expenditures	520,824	5,463,245	(1,081,477)	4,525,049	(5,163,776)	12,527,669	(3,703,798)	4,464,670	(7,726,404)	
Other Financing Sources										
Other Outgo	60,245	245	245	7,992	8,000	1,022	8,000	4,727,801	3,993,584	
	3,545,504	3,598,321	3,482,361	1,488,323	1,458,963	2,862,515	5,519,562	7,087,197	6,375,914	
Net Increase/(Decrease) in Fund Balance	(2,964,435)	1,865,169	(4,503,593)	3,044,718	(6,614,739)	9,666,176	(9,215,360)	2,105,274	(10,108,734)	
Beginning Fund Balance:										
Net Beginning Balance, July 1	6,819,115	6,819,115	8,684,284	8,684,284	11,729,002	11,729,002	21,395,179	21,395,179	23,500,453	
Prior Years Adjustments	--	--	--	--	--	1	--	--	--	
Adjusted Beginning Balance	--	--	--	--	--	11,729,003	--	21,395,179	--	
Ending Fund Balance, June 30	\$3,854,680	\$8,684,284	\$4,120,691	\$11,729,002	\$5,114,263	\$21,395,179	\$12,179,819	\$23,500,453	\$13,391,719	

⁽¹⁾ Budgeted results for fiscal year 2013-14 through 2017-18 and unaudited ending results from fiscal years 2013-14 through 2016-17 from the District's CCFS-311 Reports filed with the California Community Colleges Chancellor's Office. For audited statements of total revenues, expenditures and changes in fund balances for the District's governmental funds for fiscal years 2012-13 through 2016-17, see "Comparative Financial Statements" herein.

⁽²⁾ Projected as of 2017.

Source: Mt. San Jacinto Community College District.

Comparative Financial Statements

The table on the following page reflects the District's audited revenues, expenditures and fund balances for its governmental funds, from fiscal years 2012-13 through 2016-17. See also "APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" attached hereto.

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**AUDITED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PRIMARY GOVERNMENT**
Fiscal Years 2012-13 through 2016-17
Mt. San Jacinto Community College District

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
OPERATING REVENUES					
Tuition and Fees (gross)	\$14,170,956	\$13,734,139	\$16,349,296	\$17,201,489	\$17,567,494
Less: Scholarship discounts and allowance	<u>(9,392,632)</u>	<u>(9,602,638)</u>	<u>(10,766,553)</u>	<u>(10,954,233)</u>	<u>(11,690,808)</u>
Net tuition and fees	4,778,324	4,131,501	5,582,743	6,247,256	5,876,686
Grants and Contracts, noncapital: ⁽¹⁾					
Federal	--	--	--	--	3,535,457
State	--	--	--	--	13,126,988
Local	--	--	--	--	33,130
Auxiliary enterprise sales, net	2,076,456	1,990,979	3,098,618	3,078,762	3,178,997
Other Operating Revenues	<u>594,304</u>	<u>352,450</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL OPERATING REVENUES	<u>7,449,084</u>	<u>6,474,930</u>	<u>8,681,361</u>	<u>9,326,018</u>	<u>25,751,258</u>
OPERATING EXPENSES					
Salaries	38,399,879	39,952,644	42,714,438	47,691,988	53,808,269
Employee benefits	11,164,253	11,350,512	11,941,879	14,386,987	23,726,253
Supplies, materials and other operating expenses and services	13,233,897	13,189,537	10,899,650	22,533,756	19,349,499
Student financial aid	18,665,571	22,188,450	23,891,926	22,994,573	22,998,823
Equipment, maintenance, and repairs	636,308	745,137	926,726	3,434,342	--
Other outgo	--	--	--	--	--
Depreciation	<u>2,606,665</u>	<u>3,001,512</u>	<u>3,458,924</u>	<u>6,372,502</u>	<u>3,103,058</u>
TOTAL OPERATING EXPENSES	<u>84,706,573</u>	<u>90,427,792</u>	<u>93,833,543</u>	<u>117,414,148</u>	<u>122,985,902</u>
OPERATING LOSS	<u>(77,257,489)</u>	<u>(83,952,862)</u>	<u>(85,152,182)</u>	<u>(108,088,130)</u>	<u>(97,234,644)</u>
NON-OPERATING REVENUES (EXPENSES)					
State apportionments, noncapital	24,610,884	30,590,382	30,884,324	24,155,859	36,013,088
Local property taxes	17,163,818	18,374,467	20,284,808	26,306,704	28,749,404
Federal revenues	21,283,529	24,403,639	25,541,263	24,452,069	--
Pell grants	--	--	--	--	19,607,181
State grants	4,677,540	6,108,706	11,081,337	21,203,862	--
State taxes and other revenues	2,416,886	3,309,104	2,759,147	13,347,472	9,473,554
Investment income - noncapital	35,647	46,219	48,290	110,800	745,964
Interest expense on capital asset-related debt	(520,405)	(493,574)	(1,214,719)	(1,645,051)	(3,183,658)
Loss on sale of capital assets	--	(3,303)	--	--	--
Other non-operating revenue	<u>7,162,646</u>	<u>3,550,085</u>	<u>1,783,833</u>	<u>1,465,224</u>	<u>3,774,469</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>76,830,545</u>	<u>85,885,725</u>	<u>91,168,283</u>	<u>109,396,939</u>	<u>95,180,002</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>(426,944)</u>	<u>1,932,863</u>	<u>6,016,101</u>	<u>1,308,809</u>	<u>(2,054,642)</u>
State apportionments, capital	1,789,068	54,664	2,133,752	1,392,318	2,578,285
Local property taxes and revenues, capital	708,155	812,593	808,698	11,217,425	10,895,502
Loss on disposal of equipment	--	--	--	<u>(516,813)</u>	--
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,497,223</u>	<u>867,257</u>	<u>2,942,450</u>	<u>12,092,930</u>	<u>13,473,787</u>
CHANGE IN NET ASSETS	<u>2,070,279</u>	<u>2,800,120</u>	<u>8,958,551</u>	<u>13,401,689</u>	<u>11,419,145</u>
NET POSITION, BEGINNING OF YEAR , AS RESTATED	<u>78,932,915⁽²⁾</u>	<u>81,003,194</u>	<u>30,385,691⁽³⁾</u>	<u>39,344,242</u>	<u>52,745,931</u>
NET POSITION, END OF YEAR	<u>\$81,003,194</u>	<u>\$83,803,314</u>	<u>\$39,344,242</u>	<u>\$52,745,931</u>	<u>\$64,165,076</u>

⁽¹⁾ Effective fiscal year 2016-17, the auditors reclassified certain non-operating revenues as operating revenues.

⁽²⁾ Net beginning position, as restated. The District implemented GASB Statement No. 65, effectively decreasing the net position as of July 1, 2013 by \$480,008. The decrease results from no longer deferring and amortizing bond issuance costs.

⁽³⁾ Net beginning position, as restated. The District implemented GASB Statement Nos. 68 and 71, effectively decreasing the net position as of July 1, 2014 by \$53,417,623. The decrease results from recognizing the net pension liability, net of deferred outflows of resources.

Source: Mt. San Jacinto Community College District.

District Debt Structure

Short-Term Debt. The District currently has no outstanding short-term debt.

Long-Term Debt. A schedule of the District's general long-term debt as of June 30, 2017, is shown below:

	Beginning July 1, 2016	Additions	Payments and Reductions	Balance June 30, 2017
General obligation bonds Series A	\$70,000,000	--	\$6,050,000	\$63,950,000
Unamortized premium	<u>5,519,756</u>	--	<u>231,478</u>	<u>5,288,278</u>
Total general obligation bonds	75,519,756	--	6,281,478	69,238,278
Other liabilities				
Compensated absences	1,375,114	\$157,387	--	1,532,501
Capital leases	606,219	--	240,682	365,537
Golden handshake	389,213	--	389,213	--
Supplemental early retirement plan	511,358	--	416,297	95,061
Load banking	<u>270,502</u>	<u>21,600</u>	--	<u>292,102</u>
Total other liabilities	<u>3,152,406</u>	<u>178,987</u>	<u>1,046,192</u>	<u>2,285,201</u>
Total long-term liabilities	<u>\$78,672,162</u>	<u>\$178,987</u>	<u>\$7,327,670</u>	<u>\$71,523,479</u>

Source: Mt. San Jacinto Community College District.

Capital Leases. The District has entered into various capital lease agreements for equipment. The leases do not carry a stated interest rate, and no interest has been input. The District's liability on the capital leases is summarized below:

	Capital Lease
Balance, June 1, 2016	\$606,219
Additions	--
Payments	<u>(240,682)</u>
Balance, June 30, 2017	<u>\$365,537</u>

Source: Mt. San Jacinto Community College District.

The District's principal obligations on lease agreements with options to purchase are summarized below:

Year Ending June 30,	Lease Payment
2018	\$187,212
2019	<u>178,325</u>
Total	<u>\$365,537</u>

Source: Mt. San Jacinto Community College District.

General Obligation Bonds. The 2014 Authorization was approved by eligible voters within the District at an election held on November 4, 2014, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of \$295,000,000 principal amount of general obligation bonds. On May 21, 2015, the District caused the issuance of the Series A Bonds in the principal amount of \$70,000,000. The Bonds represent the second series of bonds issued pursuant to the 2014 Authorization. After the issuance of the Bonds, \$105,000,000* of the 2014 Authorization will remain.

The following table summarizes the annual debt service requirements for the outstanding bonds of the District (assuming no optional redemptions).

GENERAL OBLIGATION BONDS - COMBINED ANNUAL DEBT SERVICE
Mt. San Jacinto Community College District

Year Ending <u>August 1</u>	Series A Bonds	The <u>Bonds</u>	<u>Total</u>
2018	\$7,675,612.52		
2019	2,694,862.52		
2020	2,790,362.52		
2021	2,890,112.52		
2022	2,988,612.52		
2023	3,095,612.52		
2024	3,205,362.52		
2025	3,312,362.52		
2026	3,431,362.52		
2027	3,551,362.52		
2028	3,676,862.52		
2029	3,802,112.52		
2030	3,936,612.52		
2031	4,074,362.52		
2032	4,219,612.52		
2033	4,364,750.02		
2034	4,518,500.00		
2035	4,675,750.00		
2036	4,842,000.00		
2037	5,010,200.00		
2038	5,185,400.00		
2039	5,366,800.00		
2040	<u>5,553,600.00</u>		
Total	<u>\$94,862,187.82</u>		

Source: Mt. San Jacinto Community College District.

* Preliminary, subject to change.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the

Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE BONDS. TAX REFORM LEGISLATION HAS BEEN INTRODUCED AND IS BEING CONSIDERED BY CONGRESS THAT, AMONG OTHER MATTERS, SIGNIFICANTLY ALTERS INCOME TAX RATES AND REPEALS THE ALTERNATIVE MINIMUM TAX. THESE PROPOSED LEGISLATIVE CHANGES OR OTHER CHANGES WHICH MIGHT BE INTRODUCED IN CONGRESS COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

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

LIMITATION ON REMEDIES; BANKRUPTCY

General. State law contains certain safeguards to protect the financial solvency of community college districts. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA" herein. If the safeguards are not successful in preventing a community college district from becoming insolvent, the State Chancellor and the Board of Governors, operating through a special trustee appointed by the State Chancellor, may be authorized under State law to file a petition under Chapter 9 of the United

States Bankruptcy Code (the "Bankruptcy Code") on behalf of the community college district for the adjustment of its debts. In addition, an insolvent community college district may be able to file a petition under Chapter 9 before a special trustee is appointed. Prior to such petition, if any, the community college district is required to participate in a neutral evaluation process with interested parties as provided in the Government Code or declare a fiscal emergency and adopt a resolution by a majority vote of the governing board that includes findings that the financial state of the community college district jeopardizes the health, safety, or well-being of the residents of its jurisdiction or service area absent the protections of Chapter 9.

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

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

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

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

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

LEGAL MATTERS

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be made available and to be contained in the notices of listed events is described in the form of Continuing Disclosure Certificate attached hereto as APPENDIX C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. Within the past five years, the District failed to file the annual reports required by its existing continuing disclosure undertakings in a timely manner for fiscal years 2011-12 through 2013-14. Annual reports for these fiscal years have since been filed. Within such time period, the District has failed to file in a timely manner notices of certain listed events. In connection with the annual reports described above, within the past five years, the District has never filed a notice of a failure to provide annual financial information, on or before the date specified in its prior continuing disclosure certificates. [To be updated.]

Legality for Investment in California

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

Absence of Material Litigation

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

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Code, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX B.

Financial Statements

The District's audited financial statements with supplemental information for the year ended June 30, 2017, the related statements of activities and of cash flows for the year then ended, and the report dated October 24, 2017 of Cossolias Wilson Dominguez Leavitt, Certified Public Accountants (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

Standard & Poor's and Moody's have assigned ratings of "___" and "___," respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007 and Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so

warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

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

UNDERWRITING

Morgan Stanley & Co. LLC (the "Underwriter") has agreed, pursuant to a contract of purchase by and between the District and the Underwriter, to purchase all of the Bonds for a purchase price of \$_____ (equal to the principal amount of the Bonds of \$_____, plus net original issue premium of \$_____, less an underwriting discount of \$_____).

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

***Underwriter Disclosure.** The Underwriter has provided the following for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should not be construed as a representation of the District.*

Morgan Stanley & Co. LLC, the underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

ADDITIONAL INFORMATION

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

Some of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of

a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

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

This Official Statement and the delivery thereof have been duly approved and authorized by the District.

**MT. SAN JACINTO COMMUNITY COLLEGE
DISTRICT**

By: _____
Roger Schultz, Ph.D.
Superintendent/President

APPENDIX A

THE 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

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

_____, 2018

Board of Trustees
Mt. San Jacinto Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$ _____ Mt. San Jacinto Community College District (Riverside County, California) Election of 2014 General Obligation Bonds, Series B (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, the requisite fifty-five percent or more vote of the qualified electors of the Mt. San Jacinto Community College District (the "District") voting at an election held on November 4, 2014, a resolution adopted on December 14, 2017 by the Board of Trustees of the District (the "District Resolution"), and a resolution adopted on January 9, 2018 by the Board of Supervisors of Riverside County (the "County Resolution" and, together with the District Resolution, the "Resolutions").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the federal income tax liability of such corporations.

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

5. The excess of the stated redemption price at maturity over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. Original issue discount may be included as an adjustment in the calculation of alternative minimum taxable income of corporations, which may affect the alternative minimum tax liability of corporations.

6 The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights

heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Mt. San Jacinto Community College District (the "District") in connection with the issuance of \$ _____ Mt. San Jacinto Community College District (Riverside County, California) Election of 2014 General Obligation Bonds, Series B (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on December 14, 2017 (the "District Resolution"), and a resolution adopted by the Board of Supervisors of Riverside County on January 9, 2018 (the "County Resolution" and, together with the District Resolution, the "Resolutions"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

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

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

"Holders" shall mean registered owners of the Bonds.

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

"Official Statement" shall mean the Official Statement, dated as of _____, 2018, relating to the offer and sale of the Bonds.

"Participating Underwriter" shall mean Morgan Stanley & Co. LLC, as the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2017-18 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 business days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

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

SECTION 4. Content and Form of Annual Reports.

(a) The District’s Annual Report shall contain or include by reference the following:

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

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

- (a) State funding received by the District for the last completed fiscal year;
- (b) Full time equivalent student counts of the District for the last completed fiscal year;

- (c) Outstanding District indebtedness;
- (d) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the then-current fiscal year;
- (e) Assessed valuation of taxable property within the District for the then-current fiscal year; and
- (f) Secured tax levy collections and delinquencies, if the Teeter Plan, as adopted by Riverside County, no longer applies to the tax levy for general obligation bonds of the District.

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

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

SECTION 5. Reporting of Significant Events.

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

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

possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

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

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

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor

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

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

Date: _____, 2018

MT. SAN JACINTO COMMUNITY COLLEGE
DISTRICT

By _____
Vice President of Business Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: Election of 2014 General Obligation Bonds, Series B

Date of Issuance: _____, 2018

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

Dated: _____

MT. SAN JACINTO COMMUNITY COLLEGE
DISTRICT

By _____ [form only; no signature required]

APPENDIX D

ECONOMIC AND DEMOGRAPHIC PROFILE OF THE CITIES OF SAN JACINTO, MENIFEE, TEMECULA AND MURRIETA AND RIVERSIDE COUNTY

The following information concerning the communities served by the District, including the Cities of San Jacinto ("San Jacinto"), Menifee ("Menifee"), Murrieta ("Murrieta") and Temecula ("Temecula," and together with San Jacinto, Menifee, and Murrieta, the "Cities"), and Riverside County (the "County") is included only for the purpose of supplying general information thereof. The Bonds are not obligations of the County and do not represent a lien or charge against any funds or property of the County or of any city. The following information is provided only to give prospective investors an overview of the general economic condition of the County and the State of California (the "State").

General

The County is the fourth largest county in the State, encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law county with its seat located in the city of Riverside. The County, along with San Bernardino County, makes up the metropolitan portion of the Inland Empire, an area of over 4 million people.

San Jacinto is located in the north end of the San Jacinto Valley, in the southwestern portion of the County and the southern Inland Empire. San Jacinto has an area of approximately 26 square miles, and an estimated population of 47,925. Founded in 1870 and incorporated in 1888, it is one of the oldest cities in the County. Currently served by State Route 74, San Jacinto will be the east end of the proposed Mid County Parkway, an expanded freeway that will link San Jacinto with the city of Perris to the west.

Southwest of San Jacinto is Menifee, which was incorporated in 2008 and includes the formerly unincorporated communities of Menifee, Sun City, Quail Valley, Paloma Valley and the southern portions of Romoland. Located in the south central portion of the County, Menifee is bisected by Interstate 215, which links it with Murrieta to the south and the city of Perris to the northwest. Menifee spans roughly 50 square miles and has a population estimated to be 90,660.

Located between Menifee to the north and Temecula to the south is Murrieta. Incorporated in 1991, Murrieta encompasses 33 square miles and has a population estimated to be 114,914. Interstate 215 runs through the eastern side of the city, and Interstate 15 through the western side, with the interchange between the two freeways directly south of town.

Temecula lies south of Murrieta, along Interstate 15, with the Pechanga Indian Reservation and San Diego County to the south. Temecula was incorporated in 1989, and has an area of approximately 30 square miles and an estimated population of 111,024. Like the other Cities, Temecula has a council-manager government, with an elected city council of five members and an appointed city manager.

Population

The County has experienced a long period of growth and development. It is currently the eleventh most populous county in the United States, and fourth largest in the State. The total population for the County is expected to be over 3 million by the year 2035. The County's population in 2017 was estimated to be 2,384,783 people. The estimated population of the County is approximately 54.3% greater than the 2000 population, representing an average annual compound growth rate of 2.44%.

The following tables show the population estimates of the Cities, the County and the State for the past 10 years.

POPULATION ESTIMATES
Fiscal Years 2008 through 2017
Cities of San Jacinto, Menifee, Murrieta and Temecula, Riverside County and State of California

<u>Year⁽¹⁾</u>	<u>City of San Jacinto</u>	<u>City of Menifee</u>	<u>City of Murrieta</u>	<u>City of Temecula</u>	<u>Riverside County</u>	<u>State of California</u>
2008	40,877	-- ⁽³⁾	100,476	95,332	2,102,741	36,704,375
2009	42,652	75,707	101,998	97,741	2,140,626	36,966,713
2010 ⁽²⁾	44,199	77,519	103,466	100,097	2,189,641	37,253,956
2011	44,616	79,472	104,636	101,507	2,212,874	37,536,835
2012	45,338	81,469	106,978	103,211	2,239,715	37,881,357
2013	45,999	83,553	109,112	104,494	2,266,290	38,238,492
2014	46,424	85,114	110,073	105,803	2,291,699	38,572,211
2015	46,841	86,910	111,298	108,292	2,318,762	38,915,880
2016	47,348	88,524	112,232	109,635	2,348,213	39,189,035
2017	47,925	90,660	114,914	111,024	2,384,783	39,523,613

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

⁽³⁾ Information unavailable; Menifee was incorporated in 2008.

Source: California Department of Finance.

Personal Income

The following tables show the per capita personal income for the County, State and United States from 2007 through 2016.

PER CAPITA PERSONAL INCOME⁽¹⁾
Fiscal Years 2007 through 2016
Riverside County, State of California, and United States

<u>Year</u>	<u>Riverside County</u>	<u>State of California</u>	<u>United States</u>
2007	\$31,972	\$43,692	\$39,821
2008	31,932	44,162	41,082
2009	30,446	42,224	39,376
2010	30,380	43,317	40,277
2011	31,847	45,849	42,461
2012	32,301	48,369	44,282
2013	32,828	48,570	44,493
2014	34,044	51,344	46,494
2015	35,883	54,718	48,451
2016	36,782	56,374	49,246

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

Employment

The following table summarizes the labor force, employment and unemployment figures for the Cities, the County and the State from 2012 through 2016.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
Fiscal Years 2012 through 2016⁽¹⁾
Cities of San Jacinto, Menifee, Murrieta and Temecula, Riverside County and State of California

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate (%)</u>
2012	City of San Jacinto	17,900	14,800	3,000	16.9%
	City of Menifee	35,400	30,600	4,800	13.5
	City of Murrieta	48,900	44,300	4,600	9.4
	City of Temecula	49,000	44,900	4,200	8.5
	County of Riverside	987,100	872,300	114,800	11.6
	State of California	18,523,800	16,602,700	1,921,100	10.4
2013	City of San Jacinto	17,900	15,300	2,600	14.5
	City of Menifee	35,600	31,500	4,100	11.5
	City of Murrieta	49,600	45,600	4,000	8.0
	City of Temecula	49,800	46,200	3,600	7.2
	County of Riverside	996,300	897,800	98,600	9.9
	State of California	18,624,300	16,958,700	1,665,600	8.9
2014	City of San Jacinto	18,000	15,800	2,200	12.1
	City of Menifee	36,100	32,600	3,400	9.6
	City of Murrieta	50,600	47,300	3,300	6.6
	City of Temecula	50,900	47,800	3,000	5.9
	County of Riverside	1,013,000	930,000	83,000	8.2
	State of California	18,755,000	17,348,600	1,406,400	7.5
2015	City of San Jacinto	18,300	16,400	1,800	10.0
	City of Menifee	36,800	33,900	2,900	7.8
	City of Murrieta	51,900	49,100	2,800	5.3
	City of Temecula	52,200	49,700	2,500	4.8
	County of Riverside	1,035,500	966,400	69,100	6.7
	State of California	18,893,200	17,723,300	1,169,900	6.2
2016	City of San Jacinto	18,500	16,800	1,700	9.1
	City of Menifee	37,300	34,700	2,600	7.1
	City of Murrieta	52,800	50,200	2,600	4.8
	City of Temecula	53,100	50,800	2,300	4.4
	County of Riverside	1,051,800	988,000	63,800	6.1
	State of California	19,102,700	18,065,000	1,037,700	5.4

⁽¹⁾ Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2016 Benchmark.

Industry

The following figures represent industry employment estimates in the County from 2012 through 2016.

INDUSTRY EMPLOYMENT & LABOR FORCE Fiscal Years 2012 through 2016 Riverside County

	2012	2013	2014	2015	2016
Total Farm	12,500	12,100	11,900	12,600	12,800
Mining and Logging	400	300	300	300	300
Construction	35,900	42,600	47,500	52,900	58,600
Manufacturing	39,400	39,000	40,100	41,300	42,700
Wholesale Trade	20,700	22,400	23,100	23,300	23,800
Retail Trade	81,400	82,400	85,500	88,700	91,600
Transportation, Warehousing & Utilities	21,000	24,900	27,800	34,100	37,400
Information	6,400	6,300	6,300	6,400	6,300
Financial Activities	19,300	20,000	20,500	20,900	21,400
Professional & Business Services	54,000	57,600	60,900	62,600	65,200
Education & Health Services	78,900	85,500	89,500	95,200	100,200
Leisure & Hospitality	72,300	75,000	80,500	83,400	88,200
Other Services	19,200	20,300	21,600	21,700	22,300
Government	<u>112,100</u>	<u>111,200</u>	<u>112,700</u>	<u>114,500</u>	<u>117,600</u>
Total (all industries)	573,600	599,500	628,100	657,900	688,400

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2016 Benchmark.

Largest Employers

The following tables show the largest employers located in the County, Murrieta and Temecula as of fiscal year 2016. Note that many residents of the County and Cities choose to commute daily to employers in Los Angeles or San Diego County.

LARGEST EMPLOYERS 2016 Riverside County

Rank	Name of Business	Employees
1.	County of Riverside	21,479
2.	March Air Reserve Base	8,500
3.	University of California, Riverside	8,306
4.	Amazon	7,500
5.	Stater Bros. Markets	6,900
6.	Kaiser Permanente Riverside Med. Center	5,300
7.	Corona-Norco Unified School District	5,098
8.	Desert Sands Unified School District	4,202
9.	Riverside Unified School District	3,973
10.	Pechanga Resort & Casino	3,931

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2016.

LARGEST EMPLOYERS**2015****City of Menifee**

<u>Rank</u>	<u>Company</u>	<u>Employees</u>
1.	Menifee Union School District	1,000
2.	Mt. San Jacinto College District	591
3.	Romoland Elementary School District	377
4.	Sodexo	315
5.	Menifee Valley Medical Center	306
6.	Target Corporation	280
7.	Datatronics	255
8.	Southern California Edison	245
9.	United Parcel Service	211
10.	Stater Bros.	205

(1) For updated information regarding the District's employees, see "MT. SAN JACINTO COLLEGE DISTRICT – Labor Relations" in the front part of this Official Statement.

Source: City of Menifee 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2015.

LARGEST EMPLOYERS**2016****City of Murrieta**

<u>Rank</u>	<u>Name of Business</u>	<u>Employees</u>
1.	Murrieta Valley Unified School District	2,044
2.	Loma Linda Univ. Medical Center	900
3.	County of Riverside	889
4.	Southwest Healthcare Systems	692
5.	Target	500
6.	Walmart	350
7.	OakGrove Institute	347
8.	City of Murrieta	331
9.	Home Depot	295
10.	Sam's Club	220

Source: City of Murrieta 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2016.

LARGEST EMPLOYERS**2016****City of Temecula**

<u>Rank</u>	<u>Company</u>	<u>Employees</u>
1.	Temecula Valley Unified School District	2,961
2.	Abbott Laboratories (aka Guidant)	2,000
3.	Professional Hospital Supply	900
4.	Temecula Valley Hospital	650
5.	WalMart	600
6.	International Rectifier	605
7.	Macy's	420
8.	Migard Manufacturing	400
9.	Costco Wholesale Corporation	352
10.	EMD Millipore (aka Chemi Con Intl.)	350

Source: City of Temecula 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2016.

Taxable Sales

The following tables show the recent history of taxable transactions in the County and Cities.

TAXABLE SALES 2011 through 2015 Riverside County (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2011	33,398	\$18,576,285	46,886	\$25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015	38,184	23,281,724	56,846	32,910,910

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES 2011 through 2015 City of San Jacinto (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2011	404	\$168,570	599	\$193,050
2012	417	178,509	608	202,402
2013	402	186,205	588	208,934
2014	422	191,058	603	215,922
2015	446	213,458	682	237,342

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES 2011 through 2015 City of Menifee (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2011	606	\$379,704	840	\$421,545
2012	673	410,227	918	449,121
2013	673	429,966	919	474,050
2014	741	361,253	987	516,679
2015	823	518,584	1,251	580,358

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
2011 through 2015
City of Murrieta
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores</u> <u>Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets</u> <u>Taxable Transactions</u>
2011	1,394	\$843,900	2,060	\$965,758
2012	1,422	914,765	2,095	1,035,828
2013	1,405	987,019	2,064	1,147,563
2014	1,692	1,071,238	2,151	1,243,186
2015	1,517	1,089,765	2,517	1,281,529

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
2011 through 2015
City of Temecula
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores</u> <u>Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets</u> <u>Taxable Transactions</u>
2011	2,094	1,799,253	3,127	2,364,795
2012	2,174	1,961,289	3,231	2,535,380
2013	2,140	2,056,926	3,192	2,610,286
2014	2,297	2,196,194	3,347	2,771,629
2015	2,403	2,306,871	3,902	2,940,438

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the County and Cities from 2012 through 2016.

BUILDING PERMIT VALUATIONS
2012 through 2016
Riverside County
(Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation :					
Residential	\$1,079,405	\$1,375,593	\$1,621,751	\$1,536,742	\$1,759,535
Non-residential	<u>657,595</u>	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>	<u>1,346,020</u>
Total*	\$1,737,000	\$2,249,570	\$2,436,741	\$2,448,207	\$3,105,555
Residential Units:					
Single family	3,720	4,716	5,007	5,007	5,662
Multiple family	<u>909</u>	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>
Total	4,629	6,143	6,938	6,196	6,701

*Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
2012 through 2016

**City of San Jacinto
(Dollars in Thousands)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation:					
Residential	\$9,382	\$5,333	\$11,229	\$18,550	\$23,191
Non-residential	<u>2,039</u>	<u>6,308</u>	<u>2,417</u>	<u>3,173</u>	<u>1,613</u>
Total*	\$11,421	\$11,641	\$13,646	\$21,723	\$24,804
Residential Units:					
Single family	50	30	58	115	134
Multiple family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20</u>
Total	50	30	58	115	154

*Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

**BUILDING PERMIT VALUATIONS
2012 through 2016
City of Menifee
(Dollars in Thousands)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation:					
Residential	\$104,299	\$156,025	\$161,274	\$137,783	\$183,833
Non-residential	<u>1,631</u>	<u>18,148</u>	<u>5,971</u>	<u>33,163</u>	<u>38,953</u>
Total*	\$105,930	\$174,173	\$167,245	\$170,946	\$222,786
Residential Units:					
Single family	371	517	465	404	564
Multiple family	<u>178</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	549	517	465	404	564

*Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

**BUILDING PERMIT VALUATIONS
2012 through 2016
City of Murrieta
(Dollars in Thousands)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation:					
Residential	\$14,853	\$8,326	\$38,884	\$93,640	\$74,513
Non-residential	<u>22,915</u>	<u>24,759</u>	<u>15,311</u>	<u>30,299</u>	<u>35,905</u>
Total*	\$37,768	\$33,085	\$54,195	\$123,939	\$110,418
Residential Units:					
Single family	41	17	20	174	144
Multiple family	<u>0</u>	<u>0</u>	<u>248</u>	<u>271</u>	<u>139</u>
Total	41	17	268	445	283

*Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
2012 through 2016
City of Temecula
(Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation:					
Residential	\$68,802	\$95,703	\$99,088	\$44,957	\$63,485
Non-residential	<u>36,241</u>	<u>21,501</u>	<u>34,095</u>	<u>18,207</u>	<u>40,652</u>
Total*	\$105,043	\$117,204	\$133,183	\$63,164	\$104,137
Residential Units:					
Single family	329	316	234	135	161
Multiple family	<u>70</u>	<u>348</u>	<u>596</u>	<u>38</u>	<u>140</u>
Total	399	664	830	173	301

*Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

APPENDIX E

RIVERSIDE COUNTY INVESTMENT POOL

The following information concerning the Riverside County Investment Pool (the "Investment Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. The District, the Municipal Advisor and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment 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 Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor nor the Underwriter make 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. Additional information regarding the Investment Pool may be obtained from the Treasurer at <https://www.countytreasurer.org/>; however, the information presented on such website is not incorporated herein by any reference.

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