

NEW ISSUE—FULL BOOK-ENTRY

RATING: Moody's: "Aa3"
(See "MISCELLANEOUS – Rating" herein)

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

\$61,000,000*

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

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
(Mendocino and Lake Counties, California)

\$11,000,000*

2022 General Obligation Refunding Bonds, Series A
(Federally Tax-Exempt)

\$50,000,000*

2022 General Obligation Refunding Bonds, Series B
(Federally Taxable)

Dated: Date of Delivery

Due: August 1, as shown on the inside cover pages

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Mendocino-Lake Community College District (Mendocino and Lake Counties, California) 2022 General Obligation Refunding Bonds, Series A (Federally Tax-Exempt) (the “Series A Bonds”) are being issued by the Mendocino-Lake Community College District (the “District”) to (i) currently refund a portion of the District’s outstanding Election of 2006 General Obligation Bonds, Series B, and (ii) pay the costs of issuance of the Series A Bonds.

The Mendocino-Lake Community College District (Mendocino and Lake Counties, California) 2022 General Obligation Refunding Bonds, Series B (Federally Taxable) (the “Series B Bonds”) are being issued by the District to (i) advance refund a portion of the District’s outstanding Election of 2006 General Obligation Bonds, Series B and 2015 General Obligation Refunding Bonds, and (ii) pay the costs of issuance of the Series B Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Boards of Supervisors of Mendocino and Lake Counties are empowered and obligated to annually levy such *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and Maturity Value of and interest on the Bonds when due. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees. See “THE BONDS – Book-Entry Only System” herein.

The Series A Bonds will be issued as current interest bonds (the “Series A Current Interest Bonds”), and the Series B Bonds will be issued as current interest bonds (the “Series B Current Interest Bonds,” and together with the Series A Current Interest Bonds, the “Current Interest Bonds”) and capital appreciation bonds (the “Capital Appreciation Bonds”). Interest on the Current Interest Bonds accrues from their Date of Delivery and is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2022. The Capital Appreciation Bonds are dated the Date of Delivery and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2022. The Current Interest Bonds are issuable in denominations of \$5,000 or any integral multiple thereof. The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) and will not pay interest on a current basis.

Payments of principal and Maturity Value of, as applicable, and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated Paying Agent, Bond Registrar and Transfer Agent (in such capacity, the “Paying Agent”), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry Only System” herein.

The Bonds are subject to optional and mandatory sinking fund redemption as further described herein.*

Maturity Schedules*
(See inside cover pages)

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company, in New York, New York, on or about March 10, 2022.**

Piper Sandler & Co.

Dated: _____, 2022

*Preliminary; subject to change.

MATURITY SCHEDULES*

\$11,000,000*
MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
(Mendocino and Lake Counties, California)
2022 General Obligation Refunding Bonds, Series A
(Federally Tax-Exempt)

Base CUSIP[†]: 58661P

	\$ _____ Serial Bonds				
<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u> <u>Suffix</u>	

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

* Preliminary; subject to change

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein, and no representation is made as to their correctness on the applicable Bonds or as included herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

\$50,000,000*
MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
(Mendocino and Lake Counties, California)
2022 General Obligation Refunding Bonds, Series B
(Federally Taxable)

\$ _____ **Current Interest Serial Bonds**

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
--------------------------------------	-----------------------------------	--------------------------------	--------------	----------------------------

\$ _____ – _____ % **Current Interest Term Bonds due August 1, 20__** – Yield _____ % - CUSIP⁽¹⁾ _____

\$ _____ **Capital Appreciation Serial Bonds**

<u>Maturity</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Accretion</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>Maturity</u> <u>Value</u>	<u>CUSIP⁽¹⁾</u>
--------------------------------------	--	---------------------------------	-----------------------------------	---------------------------------	----------------------------

\$ _____ **Capital Appreciation Term Bonds**

<u>Maturity</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Accretion</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>Maturity</u> <u>Value</u>	<u>CUSIP⁽¹⁾</u>
--------------------------------------	--	---------------------------------	-----------------------------------	---------------------------------	----------------------------

* Preliminary; subject to change

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein, and no representation is made as to their correctness on the applicable Bonds or as included herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

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

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

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

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers and others at a price lower than the offering prices stated on the inside cover pages hereof. The offering price may be changed from time to time by the Underwriter.

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

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT

Board of Trustees

Rober Jason Pinoli (Area No. 4), *President*
Noel O'Neill (Area No. 1), *Member*
Xochit Martinez (Area No. 2), *Member*
Marie L. Myers (Area No. 3), *Member*
Philip (Ed) Nickerman (Area No. 5), *Member*
John Tomkins (Area No. 6), *Member*
TeMashio Anderson (Area No. 7), *Member*

District Administration

Timothy Karas, Ed.D., *Superintendent/President*
Eileen Cichocki, *Assistant Superintendent/Vice President, Administrative Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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

Paying Agent, Registrar, Transfer and Escrow Agent

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

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

TABLE OF CONTENTS

Page

INTRODUCTION 1

THE DISTRICT 1

PURPOSE OF THE BONDS 2

AUTHORITY FOR ISSUANCE OF THE BONDS 2

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS 2

DESCRIPTION OF THE BONDS 2

TAX MATTERS 3

OFFERING AND DELIVERY OF THE BONDS 4

BOND OWNER’S RISKS 4

CONTINUING DISCLOSURE 4

FORWARD LOOKING STATEMENTS 4

PROFESSIONALS INVOLVED IN THE OFFERING 4

OTHER INFORMATION 5

THE BONDS 5

AUTHORITY FOR ISSUANCE 5

SECURITY AND SOURCES OF PAYMENT 6

STATUTORY LIEN 6

GENERAL PROVISIONS 7

ANNUAL DEBT SERVICE 8

APPLICATION AND INVESTMENT OF BOND PROCEEDS 8

REDEMPTION 12

BOOK-ENTRY ONLY SYSTEM 15

DISCONTINUATION OF BOOK-ENTRY ONLY SYSTEM; PAYMENT TO BENEFICIAL OWNERS 17

DEFEASANCE 19

ESTIMATED SOURCES AND USES OF FUNDS 20

TAX BASE FOR REPAYMENT OF THE BONDS 20

AD VALOREM PROPERTY TAXATION 20

ASSESSED VALUATIONS 21

APPEALS AND ADJUSTMENTS OF ASSESSED VALUATIONS 23

TAX LEVIES, COLLECTIONS AND DELINQUENCIES 28

ALTERNATIVE METHOD OF TAX APPORTIONMENT – TEETER PLAN 29

TAX RATES 30

LARGEST PROPERTY OWNERS 32

STATEMENT OF DIRECT AND OVERLAPPING DEBT 33

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS 35

ARTICLE XIII A OF THE STATE CONSTITUTION 35

PROPOSITION 19 36

LEGISLATION IMPLEMENTING ARTICLE XIII A 36

PROPOSITION 50 AND PROPOSITION 171 36

UNITARY PROPERTY 37

ARTICLE XIII B OF THE STATE CONSTITUTION 37

PROPOSITIONS 98 AND 111 38

ARTICLE XIII C AND ARTICLE XIII D OF THE STATE CONSTITUTION 40

PROPOSITION 26 41

PROPOSITION 39 41

JARVIS V. CONNELL 42

PROPOSITION 1 A AND PROPOSITION 22 42

PROPOSITIONS 30 AND 55 43

PROPOSITION 2 43

PROPOSITION 51 44

TABLE OF CONTENTS (cont'd)

	<u>Page</u>
FUTURE INITIATIVES	45
FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA.....	45
MAJOR REVENUES	45
CONSIDERATIONS REGARDING COVID-19.....	49
BUDGET PROCEDURE.....	52
MINIMUM FUNDING GUARANTEES FOR CALIFORNIA COMMUNITY COLLEGE DISTRICTS	
UNDER PROPOSITIONS 98 AND 111	52
DISSOLUTION OF REDEVELOPMENT AGENCIES	54
STATE ASSISTANCE.....	55
MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT.....	61
INTRODUCTION	61
ADMINISTRATION	61
LABOR RELATIONS	62
RETIREMENT PROGRAMS	62
OTHER POST-EMPLOYMENT BENEFITS	71
RISK MANAGEMENT	72
MENDOCINO COLLEGE FOUNDATION, INC.	73
ACCOUNTING PRACTICES.....	74
DISTRICT BUDGETING.....	74
COMPARATIVE FINANCIAL STATEMENTS.....	76
DISTRICT DEBT STRUCTURE	77
TAX MATTERS.....	79
LIMITATION ON REMEDIES; BANKRUPTCY	81
LEGAL MATTERS	83
LEGALITY FOR INVESTMENT IN CALIFORNIA	83
CONTINUING DISCLOSURE	83
ABSENCE OF MATERIAL LITIGATION	83
INFORMATION REPORTING REQUIREMENTS	83
ESCROW VERIFICATION	84
LEGAL OPINIONS	84
MISCELLANEOUS	84
RATING	84
FINANCIAL STATEMENTS	84
UNDERWRITING	85
ADDITIONAL INFORMATION	86
APPENDIX A: FORMS OF OPINIONS OF BOND COUNSEL FOR THE BONDS.....	A-1
APPENDIX B: THE DISTRICT’S 2020-21 AUDITED FINANCIAL STATEMENTS	B-1
APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS	C-1
APPENDIX D: GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF UKIAH, MENDOCINO COUNTY AND LAKE COUNTY.....	D-1
APPENDIX E: ACCRETED VALUES TABLE.....	E-1
APPENDIX F: MENDOCINO COUNTY TREASURY POOL	F-
1.....	

\$61,000,000*

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
(Mendocino and Lake Counties, California)**

\$11,000,000*

\$50,000,000*

2022 General Obligation Refunding Bonds, Series A (Federally Tax-Exempt) **2022 General Obligation Refunding Bonds, Series B (Federally Taxable)**

INTRODUCTION

This Official Statement, which includes the cover page, inside cover pages, and appendices hereto, provides information in connection with the sale of the Mendocino-Lake Community College District (Mendocino and Lake Counties, California) 2022 General Obligation Refunding Bonds, Series A (Federally Tax-Exempt) (the “Series A Bonds”) and Mendocino-Lake Community College District (Mendocino and Lake Counties, California) 2022 General Obligation Refunding Bonds, Series B (Federally Taxable) (the “Series B Bonds,” and together with the Series A Bonds, the “Bonds”).

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

The District

Mendocino-Lake Community College District (the “District”) was founded in 1973 and encompasses a large portion of Mendocino County and adjacent Lake County. The District serves the cities of Ukiah, Hopland, Willits and Potter Valley (Mendocino County) and Lakeport and Kelseyville (Lake County). Ukiah is approximately 100 miles north of San Francisco along Highway 101.

The District operates a main campus in Ukiah and two additional educational centers located within its jurisdictional boundaries. Mendocino College is currently fully accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges. Taxable property within the District has an assessed valuation of \$12,262,538,080 for fiscal year 2021-22. For fiscal year 2021-22, the District has projected a full time equivalent student count (“FTES”) of 2,974 students. However, the District’s actual FTES count and the future assessed valuation of taxable property may be affected by the ongoing COVID-19 outbreak. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19” herein.

The District is governed by a seven-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent/President appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other key personnel. Dr. Timothy Karas currently serves as the Superintendent/President of the District. Eileen Cichocki currently serves as the Assistant Superintendent/Vice President of Administrative Services.

See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA,” and “MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT” herein for information regarding the District generally and “TAX BASE FOR REPAYMENT OF THE BONDS” herein for information

regarding the District's assessed valuation. The District's audited financial statements for the fiscal year ended June 30, 2021 are attached hereto as APPENDIX B and should be read in their entirety.

Purpose of the Bonds

Series A Bonds. The Series A Bonds are being issued to (i) currently refund a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series B (the "2006 Series B Bonds"), and (ii) pay the costs of issuance of the Series A Bonds.

Series B Bonds. The Series B Bonds are being issued to (i) advance refund a portion of the District's outstanding 2006 Series B Bonds and 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds," and together with the 2006 Series B Bonds, the "Prior Bonds," and as so refunded, the "Refunded Bonds"), and (ii) pay the costs of issuance of the Series B Bonds. See "THE BONDS – Application and Investment of Bond Proceeds," and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and other applicable law, and pursuant to a resolution adopted by the Board. See "THE BONDS – Authority for Issuance" herein.

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to annually levy such *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and Maturity Value (as defined herein) of and interest on the Bonds when due. See "THE BONDS – Security and Sources of Payment," and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Description of the Bonds

Current Interest and Capital Appreciation Bonds. The Series A Bonds will be issued as current interest bonds (the "Series A Current Interest Bonds"), and the Series B Bonds will be issued as current interest bonds (the "Series B Current Interest Bonds," and together with the Series A Current Interest Bonds, the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds").

The Current Interest Bonds will bear periodic interest as further described herein. The Capital Appreciation Bonds will not bear interest on a current basis. The maturity value of each Capital Appreciation Bond is equal to its Accreted Value (defined herein) upon the maturity thereof (the "Maturity Value"), comprising its initial principal amount (the "Denominational Amount") and the interest accreting thereon between the Date of Delivery (defined herein) and its respective maturity date.

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

Bonds will be registered in accordance with the Resolution (as defined herein). See “THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners” herein.

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

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

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

Payments. Interest on the Current Interest Bonds accrues from their initial date of delivery (the “Date of Delivery”), and is payable semiannually on each February 1 and August 1 (each a “Bond Payment Date”), commencing on August 1, 2022. Principal of the Current Interest Bonds is payable on August 1 in the amounts and years as set forth on the inside front cover pages hereof.

The Capital Appreciation Bonds will accrete in value from their Denominational Amounts on the Date of Delivery to their respective Maturity Values, at the Accretion Rates (defined herein) per annum set forth on the inside cover pages hereof, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2022. The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) according to the amounts set forth in the Accreted Values table as shown in APPENDIX E attached hereto.

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

Tax Matters

Series A Bonds. In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series A 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. In the further opinion of Bond Counsel, interest on the Series A Bonds is exempt from State of California (the “State”) personal income tax. See “TAX MATTERS – Series A Bonds” herein.

Series B Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Series B Bonds is exempt from State personal income tax. See “TAX MATTERS – Series B Bonds” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about March 10, 2022*.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the District. For more complete information regarding the District's financial condition and taxation of property within the District, see "TAX BASE FOR REPAYMENT OF THE BONDS," "MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT," and "LIMITATION ON REMEDIES; BANKRUPTCY" herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. "Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate relating to the disclosure of annual financial information and notices of certain listed events executed by the District as of the date of issuance and delivery of the Bonds, as it may be amended from time to time in accordance with its terms. See "LEGAL MATTERS – Continuing Disclosure" herein, and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. These covenants have been made in order to assist the Underwriter (defined herein) in complying with the SEC Rule 15c2-12(b)(5) (the "Rule").

Forward Looking Statements

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

The achievements of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation will receive compensation from the District contingent upon the sale and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters

* Preliminary; subject to change.

unrelated to the District or the Bonds. The Bank of New York Mellon Trust Company, N.A., will act as Paying Agent for the Bonds, as well as Escrow Agent (as defined herein) for the Refunded Bonds (as defined herein). Causey Demgen & Moore P.C., Denver, Colorado, will act as Verification Agent with respect to the Refunded Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from the Mendocino-Lake Community College District, 1000 Hensley Creek Road, Ukiah, California 95482, telephone (707) 468-3071, Attention: Assistant Superintendent/Vice President, Administrative Services. The District may impose a charge for copying, mailing and handling.

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each such documents, statutes and constitutional provisions.

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution (as defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Act") and other applicable law, and pursuant to a resolution adopted by the Board of Trustees of the District on February 9, 2022 (the "Resolution").

Security and Sources of Payment

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

The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The Counties, however, is not obligated to establish or maintain such a reserve for the Bonds, and the District can make no representation that the Counties will do so.

Such *ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal and Maturity Value of and interest on the Bonds when due. Such taxes, when collected, will be placed in the applicable District's Debt Service Fund (defined herein), which is segregated and held by Mendocino County and which is designated for the payment of the series of bonds to which such fund relates, and interest on thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged amounts on deposit in the Debt Service Funds to the payment of the respective series of the Bonds to which such fund relates. Although the Counties are obligated to levy *ad valorem* property taxes for the payment of the Bonds, and Mendocino County will maintain the Debt Service Funds for the repayment of the Bonds, the Bonds are not a debt of either of the Counties.

The moneys in the Debt Service Funds, to the extent necessary to pay the principal and Maturity Value of and interest on the series of Bonds to which such fund relates, as the same becomes due and payable, shall be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants for subsequent disbursement to the respective Beneficial Owners of the Bonds.

The rate of the annual *ad valorem* property taxes levied by the Counties to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the respective series of Bonds in any year. Fluctuations in the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in real property values, outbreak of disease, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, wildfire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the State Constitution," "TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations," and "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19" herein.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof.

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

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

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Beneficial Owners will not receive physical certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees.

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

Capital Appreciation Bonds. Interest on each Capital Appreciation Bond is represented by the amount each such Bond accretes in value from its respective Denominational Amount on the Date of Delivery to the date for which the Accreted Value is calculated. The value of a Capital Appreciation Bond as of any date (the “Accreted Value”) is calculated by discounting, on a 30-day month, 360-day year basis, its Maturity Value on the basis of a constant rate (the “Accretion Rate”) compounded semiannually on February 1 and August 1 of each year to the date for which an Accreted Value is calculated, and if the date for which the Accreted Value is calculated is between February 1 and August 1, by pro-rating such Accreted Values to the closest prior or subsequent February 1 and August 1.

The Capital Appreciation Bonds will not pay interest on a periodic basis. The Capital Appreciation Bonds accrete in value from their Date of Delivery at the Accretion Rates per annum set forth on the inside cover pages hereof, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2022. The Maturity Value of a Capital Appreciation Bond is equal to the Accreted Value thereof at its maturity date. See also the maturity schedules on the inside cover pages hereof, “– Annual Debt Service” herein, and “APPENDIX E – ACCRETED VALUES TABLE” attached hereto.

Payments. Payment of interest on any Current Interest Bond, will be made on any Bond Payment Date to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the

close of business on the 15th day of the month next preceding any Bond Payment Date (the “Record Date”), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and Maturity Value of and redemption premiums, if any, payable on the Bonds will be payable upon maturity upon surrender at the designated office of the Paying Agent. The principal of and Accreted Value of, interest, and redemption premiums, if any, on the Bonds, will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal and Maturity Value of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds.

Annual Debt Service

The following table summarizes the annual debt service requirements of the District for the Bonds, assuming no optional redemptions are made:

Year Ending (August 1)	Series A Current Interest Bonds		Series B Current Interest Bonds		Series B Capital Appreciation Bonds		Total Annual Debt Service Payment
	Annual Principal Payment	Annual Interest Payment ⁽¹⁾	Annual Principal Payment	Annual Interest Payment ⁽¹⁾	Annual Principal Payment	Annual Accreted Interest Payment ⁽²⁾	

⁽¹⁾ Interest payments on the Current Interest Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2022.

⁽²⁾ The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) on August 1 of the years indicated on the inside cover pages hereof, and interest on such Capital Appreciation Bonds is compounded semiannually on February 1 and August 1, commencing on August 1, 2022.

See “MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT – District Debt Structure – General Obligation Bonds” herein for a full debt service schedule of all of the District’s outstanding general obligation bond debt.

Application and Investment of Bond Proceeds

Use of Proceeds. The Series A Bonds are being issued to (i) currently refund a portion of the District’s outstanding 2006 Series B Bonds, and (ii) pay the costs of issuance of the Series A Bonds. The

Series B Bonds are being issued to (i) advance refund a portion of the District’s outstanding 2006 Series B Bonds and the 2015 Refunding Bonds, and (ii) pay the costs of issuance of the Series B Bonds.

The net proceeds from the sale of the Bonds will be deposited with The Bank of New York Mellon Trust Company, N.A., acting as escrow agent (the “Escrow Agent”), to the credit of one or more escrow funds (the “Escrow Fund”) held pursuant to that certain escrow agreement, dated as of March 1, 2022, by and between the District and the Escrow Agent (the “Escrow Agreement”). Pursuant to the Escrow Agreement, the amounts deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America (collectively, the “Federal Securities”), the principal of and interest on which will be sufficient, together with any moneys deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the redemption price of the Refunded Bonds on the first respective optional redemption dates therefor, as well as the interest due on the Refunded Bonds on and prior to such dates.

The tables below show information on the specific maturities of the Refunded Bonds to be refunded with proceeds of the Bonds, and maturities that are to remain outstanding, or unrefunded.

REFUNDED BONDS*
Mendocino-Lake Community College District
Election of 2006 General Obligation Bonds, Series B
(Current Interest Bonds)

<u>Maturities to be Refunded (August 1)</u>	<u>CUSIP⁽¹⁾</u>	<u>Original Principal Amount</u>	<u>Principal Amount to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price (% of Par Amount)</u>
2041	58661PBD3	\$12,705,000.00	\$12,705,000.00	March 22, 2022	100%

REFUNDED BONDS†
Mendocino-Lake Community College District
Election of 2006 General Obligation Bonds, Series B
(Convertible Capital Appreciation Bonds)

<u>Maturities to be Refunded (August 1)</u>	<u>CUSIP⁽¹⁾</u>	<u>Original Denominational Amount</u>	<u>Conversion Value to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price (% of Conversion Value)</u>
2031	58661PCB6	\$1,186,286.40	\$1,560,000.00	August 1, 2026	100%

* Preliminary; subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter nor the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds and Refunded Bonds. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds and Refunded Bonds.

† Preliminary; subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter nor the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent

UNREFUNDED BONDS*
Mendocino-Lake Community College District
Election of 2006 General Obligation Bonds, Series B

<u>Maturity Date</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>CUSIP</u>
2022	\$18,600.40	58661PBN1
2023	44,674.00	58661PBP6
2024	67,180.35	58661PBQ4
2025	84,311.40	58661PBR2
2026	99,682.00	58661PBS0
2028	83,256.00	58661PCC4
2032	173,565.00	58661P BT8
2033	167,054.50	58661P BU5
2034	159,940.00	58661P BV3
2035	2,642,830.85	58661PBW1
2036	3,105,347.00	58661PCD2
2039	2,349,214.20	58661PBX9
2040	3,687,813.00	58661PCE0
2046	5,005,106.40	58661PBY7
2051	2,865,115.00	58661PBZ4
2051	1,591,150.50	58661PCA8

REFUNDED BONDS*
Mendocino-Lake Community College District
2015 General Obligation Refunding Bonds
(Current Interest Bonds)

<u>Maturities to be</u> <u>Refunded</u> <u>(August 1)</u>	<u>CUSIP</u> ⁽¹⁾	<u>Original</u> <u>Principal</u> <u>Amount</u>	<u>Principal</u> <u>Amount to be</u> <u>Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u> <u>(% of Par Amount)</u>
2028	58661PCS9	\$2,245,000.00	\$2,245,000.00	August 1, 2025	100%
2029	58661PCT7	2,475,000.00	2,475,000.00	August 1, 2025	100
2030	58661PCU4	2,725,000.00	2,725,000.00	August 1, 2025	100

company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds and Refunded Bonds. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds and Refunded Bonds.

REFUNDED BONDS*
Mendocino-Lake Community College District
2015 General Obligation Refunding Bonds
(Capital Appreciation Bonds)

Maturities to be Refunded (August 1)	CUSIP⁽¹⁾	Original Denominational Amount	Denominational Amount to be Refunded	Accreted Value to be Refunded	Redemption Date	Redemption Price (% of Accreted Value)
2032	58661PCW0	\$238,648.80	\$238,648.80	\$375,897.60	August 1, 2025	100%
2033	58661PCX8	312,192.00	312,192.00	494,568.00	August 1, 2025	100
2034	58661PCY6	383,995.15	383,995.15	610,648.50	August 1, 2025	100
2035	58661PCZ3	1,370,097.00	1,370,097.00	2,187,192.00	August 1, 2025	100
2037	58661PDB5	1,641,045.60	1,641,045.60	2,647,441.35	August 1, 2025	100
2038	58661PDC3	1,702,697.50	1,702,697.50	2,754,771.60	August 1, 2025	100
2039	58661PDD1	284,004.00	284,004.00	460,800.40	August 1, 2025	100
2042	58661PDG4	2,265,991.20	2,265,991.20	3,701,396.40	August 1, 2025	100
2043	58661PDH2	2,299,550.75	2,299,550.75	3,759,621.25	August 1, 2025	100
2044	58661PDJ8	2,331,313.95	2,331,313.95	3,815,391.15	August 1, 2025	100
2045	58661PDK5	2,361,146.40	2,361,146.40	3,867,785.70	August 1, 2025	100
2051	58661PDL3	9,821,765.95	9,821,765.95	16,321,048.45	August 1, 2025	100

UNREFUNDED BONDS*
Mendocino-Lake Community College District
2015 General Obligation Refunding Bonds
(Current Interest Bonds)

Maturity Date (August 1)	Principal Amount	CUSIP
2022	\$1,165,000	58661PCL4
2023	1,315,000	58661PCM2
2024	1,475,000	58661PCN0
2025	1,650,000	58661PCP5
2026	1,835,000	58661PCQ3
2027	2,035,000	58661PCR1
2031	2,985,000	58661PCV2

Verification. The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay the redemption price of the Refunded Bonds as described above, will be verified by Causey Demgen & Moore P.C. (the “Verification Agent”). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Refunded Bonds will be defeased and the

* Preliminary; subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter nor the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds and Refunded Bonds. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds and Refunded Bonds.

obligation of the Counties to levy *ad valorem* property taxes for payment of the Refunded Bonds will terminate. See also “LEGAL MATTERS – Escrow Verification” herein.

Debt Service Funds. Any accrued interest and surplus moneys in the Escrow Fund following the redemption of the Refunded Bonds shall be transferred to and accounted for in funds established by the Resolution and designated as the “Mendocino-Lake Community College District 2022 General Obligation Refunding Bonds Series A Debt Service Fund” and “Mendocino-Lake Community College District 2022 General Obligation Refunding Bonds Series B Debt Service Fund” (together, the “Debt Service Funds”), and used by the District only for payment of principal of and interest on the Series A Bonds and the Series B Bonds, respectively, and for no other purpose. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the applicable Debt Service Fund and applied to the payment of principal of and interest on the applicable series of the Bonds. If, after payment in full of the Bonds, there remain any such excess proceeds, such amounts shall be transferred to the general fund of the District. Moneys in the Debt Service Funds will be invested through Mendocino County’s pooled investment fund. See “APPENDIX F – MENDOCINO COUNTY TREASURY POOL” attached hereto.

Redemption

Optional Redemption.*

Series A Bonds. The Series A Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective maturity dates. The Series A Bonds maturing on and after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Series A Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Series B Bonds. The Series B Current Interest Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective maturity dates. The Series B Current Interest Bonds maturing on and after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Series B Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Series B Capital Appreciation Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole, or in part, on any date on or after August 1, 20__ at a redemption price equal to the Accreted Value of the Series B Capital Appreciation Bonds, as of the date fixed for redemption, without premium.

* Preliminary; subject to change.

Mandatory Sinking Fund Redemption.*

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

Year Ending <u>July 1</u>	Principal <u>To Be Redeemed</u>
(1) Total	
(1) Maturity.	

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

Series B Bonds. The Series B Bonds maturing on August 1, 20__ (the “20__ Capital Appreciation Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the Accreted Value thereof, as of the date fixed for redemption, without premium. The Accreted Value represented by such 20__ Capital Appreciation Term Bonds to be so redeemed and the redemption dates therefor, and the final Accreted Value payment date is as indicated in the following table:

Year Ending <u>July 1</u>	Principal <u>To Be Redeemed</u>
(1) Total	
(1) Maturity.	

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

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption as directed by the District and, if

* Preliminary; subject to change.

not so directed, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any Current Interest Bond to be redeemed in part shall be in the principal amount or Maturity Value of \$5,000, as applicable, or any integral multiple thereof.

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

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) such Redemption Notice will be given to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

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

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

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

Effect of Notice of Redemption. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest accrued or accreted to such redemption date, is held in trust so as to be available therefor on such redemption date as described in “– Defeasance” herein, and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue or accrete and become payable.

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

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

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

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

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

Book-Entry Only System

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “MMI Procedures” of DTC to be followed in dealing with Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has an S&P (as defined herein) rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated by reference herein.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements

as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

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

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon

presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, the Bonds as provided in the Resolution.

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

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

Any Bond may be exchanged for Bonds of like series, tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount or Maturity Value thereof, as applicable) upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register upon presentation and surrender of the Bond at the designated office of the Paying Agent together with an assignment executed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date. Capital Appreciation Bonds and Current Interest Bonds may not be exchanged for one another.

If manual signatures on behalf of the District are required in connection with an exchange or transfer, the Paying Agent shall undertake the exchange or transfer of Bonds only after the new Bonds are signed by the authorized officers of the District. In all cases of exchanged or transferred Bonds, the District shall sign and the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. All fees and costs of transfer shall be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer shall be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds shall be promptly cancelled by the Paying Agent. Written reports of the surrender and cancellation of Bonds shall be made to the District by the Paying Agent as requested by the District. The cancelled Bonds shall be retained for three years, then returned to the District or destroyed by the Paying Agent as directed by the District.

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

Defeasance

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

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

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

“Government Obligations” means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) or Moody’s Investors Service, Inc. (“Moody’s”).

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	Series A Bonds	Series B Bonds
Principal Amount of the Bonds		
Original Issue Premium		
Total Sources		
Uses of Funds		
Costs of Issuance ⁽¹⁾		
Deposit to Escrow Fund		
Underwriter’s Discount		
Total Uses		

⁽¹⁾ Reflects all costs of issuance of the Bonds, including but not limited to legal fees, printing costs, rating agency fees, and the costs and fees of the Paying Agent, Escrow Agent and Verification Agent.

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

District property taxes are assessed and collected by the Counties at the same time and on the same tax rolls as the county, city, and special district property taxes. Assessed valuations are the same for both the District and Counties’ taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.” Unsecured property comprises certain property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. Each of the Counties levies and collects all property taxes for property falling within that county’s taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment plus a \$10 cost on the second installment. Property on the secured roll with delinquent taxes is sold to the State on or about June 30 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the tax-collecting authority of the relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of a county Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in a county Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

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

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A. For a discussion of how properties currently are assessed and re-assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein. Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District has a total assessed valuation for fiscal year 2021-22 of \$12,262,538,080. The table on the following page represents a 10-year history of assessed valuations in the District as of the date the equalized assessment tax roll is established in August of each year, excluding exemptions granted after such date in each year.

ASSESSED VALUATIONS
Fiscal Years 2011-12 through 2021-22
Mendocino-Lake Community College District

Mendocino County Portion Only

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2011-12	\$5,865,561,246	\$1,555,315	\$269,092,100	\$6,136,208,661
2012-13	5,822,110,352	633,632	268,696,997	6,091,440,981
2013-14	5,922,219,112	633,081	2261,910,020	6,184,762,213
2014-15	6,054,480,188	632,530	268,796,548	6,323,909,266
2015-16	6,268,732,598	412,191	267,474,147	6,536,618,936
2016-17	6,517,678,356	639,377	274,227,411	6,792,545,144
2017-18	6,818,321,854	639,553	263,061,590	7,082,022,997
2018-19	7,077,007,955	639,553	282,373,827	7,360,021,335
2019-20	7,310,266,011	671,825	286,217,172	7,597,155,008
2020-21	7,610,591,078	666,204	274,142,513	7,885,399,795
2021-22	7,818,654,012	666,288	287,795,904	8,107,116,204

Lake County Portion Only

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2011-12	\$3,274,714,527	\$1,152,600	\$79,995,936	\$3,355,863,063
2012-13	3,269,223,354	710,600	77,372,165	3,347,306,119
2013-14	3,251,941,601	710,600	77,523,971	3,330,176,172
2014-15	3,242,060,912	710,600	79,631,231	3,322,402,743
2015-16	3,277,306,787	710,600	76,032,453	3,354,049,840
2016-17	3,324,523,345	710,600	77,279,600	3,402,513,545
2017-18	3,418,297,311	116,600	84,208,151	3,502,622,062
2018-19	3,553,906,006	116,600	85,828,383	3,639,850,989
2019-20	3,694,043,609	116,600	92,659,354	3,786,819,563
2020-21	3,851,952,348	116,600	99,034,937	3,951,103,885
2021-22	4,055,667,432	116,600	99,637,844	4,155,421,876

Total District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2011-12	\$9,140,275,773	\$2,707,915	\$349,088,036	\$9,492,071,724
2012-13	9,091,333,706	1,344,232	346,069,162	9,438,747,100
2013-14	9,174,160,713	1,343,681	339,433,991	9,514,938,385
2014-15	9,296,541,100	1,343,130	348,427,779	9,646,312,009
2015-16	9,546,039,385	1,122,791	343,506,600	9,890,668,776
2016-17	9,842,201,701	1,349,977	351,507,011	10,195,058,689
2017-18	10,236,619,165	756,153	347,269,741	10,584,645,059
2018-19	10,630,913,961	756,153	368,202,210	10,999,872,324
2019-20	11,004,309,620	788,425	378,876,526	11,383,974,571
2020-21	11,462,543,426	782,804	373,177,450	11,836,503,680
2021-22	11,874,321,444	782,888	387,433,748	12,262,538,080

Source: California Municipal Statistics, Inc.

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

Drought. In recent years, the State has experienced severe drought conditions. In January of 2014, the Governor declared a statewide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history, the State’s river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. Following the Governor’s declaration, the State Water Resources Control Board (the “Water Board”) issued a statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. In April 2021, the Governor made emergency drought declarations in two Northern California counties following two years of dry conditions. On May 10, 2021, the Governor expanded the emergency drought declaration to include an additional 39 counties throughout the State. On July 8, 2021, the Governor expanded the declaration further to include an additional 9 counties in the State. On October 19, 2021, the Governor extended the declaration to include the remaining counties, such that the drought state of emergency is now in effect Statewide.

Wildfires. In addition, major wildfires have occurred in recent years in different regions of the State, including significant fires throughout the fall of 2020 and 2021. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates.

Appeals and Adjustments of Assessed Valuations

Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the “SBE”), with the appropriate county board of equalization or assessment appeals board. The county Assessor may independently reduce assessed valuation values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the State Constitution” herein.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment

for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, drought, wildfire, or toxic contamination pursuant to relevant provisions of the State Constitution. Whether resulting from taxpayer appeals or county Assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the State Constitution” herein.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by county assessors, will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the “Governor”) signed into law Assembly Bill 102 (“AB 102”). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes; however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

[REMAINDER OF PAGE LEFT BLANK]

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 2021-22 assessed valuation.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2021-22
Mendocino-Lake 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 Lakeport	\$593,305,593	4.84%	\$593,305,593	100.00%
City of Ukiah	1,651,248,897	13.47	1,651,248,897	100.00
City of Willits	496,367,911	4.05	496,367,911	100.00
Unincorporated Lake County	3,562,116,283	29.05	6,769,282,059	52.62
Unincorporated Mendocino County	<u>5,959,499,396</u>	<u>48.60</u>	10,002,610,466	59.58
Total District	\$12,262,538,080	100.00%		
Summary by County:				
Lake County	\$4,155,421,876	33.89%	\$8,252,283,266	50.35%
Mendocino County	<u>8,107,116,204</u>	<u>66.11</u>	12,961,510,032	62.55
Total District	\$12,262,538,080	100.00%		

Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE LEFT BLANK]

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 2021-22.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2021-22
Mendocino-Lake Community College District

	2021-22	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation</u>⁽¹⁾	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Agricultural/Vineyards/Timber	\$1,950,697,986	16.43%	11,298	15.67%
Commercial	1,068,958,499	9.00	2,090	2.90
Vacant Commercial	51,065,748	0.43	516	0.72
Industrial	273,335,991	2.30	561	0.78
Vacant Industrial	53,702,567	0.45	239	0.33
Government/Social/Institutional	23,860,145	0.20	516	0.72
Miscellaneous	<u>8,236,542</u>	<u>0.07</u>	<u>611</u>	<u>0.85</u>
Subtotal Non-Residential	\$3,429,857,478	28.88%	15,831	21.95%
<u>Residential:</u>				
Single Family Residence	\$6,646,964,525	55.98%	27,395	37.99%
Mobile Home	621,525,302	5.23	6,419	8.90
Mobile Home Park	107,664,857	0.91	154	0.21
2-4 Residential Units	142,785,986	1.20	579	0.80
5+ Residential Units	410,283,671	3.46	981	1.36
Miscellaneous Residential	16,504,071	0.14	55	0.08
Vacant Residential	<u>498,735,554</u>	<u>4.20</u>	<u>20,695</u>	<u>28.70</u>
Subtotal Residential	\$8,444,463,966	71.12%	56,278	78.05%
Total	\$11,874,321,444	100.00%	72,109	100.00%

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

[REMAINDER OF PAGE LEFT BLANK]

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2021-22 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 2021-22
Mendocino-Lake Community College District**

	No. of Parcels	2021-22 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	27,395	\$6,646,964,525	\$242,634	\$206,496

2021-22 Assessed Valuation	No. of Parcels⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	1,028	3.753%	3.753%	\$15,700,508	0.236%	0.236%
25,000 - 49,999	1,468	5.359	9.111	55,102,915	0.829	1.065
50,000 - 74,999	1,595	5.822	14.933	99,301,037	1.494	2.559
75,000 - 99,999	1,568	5.724	20.657	137,900,194	2.075	4.634
100,000 - 124,999	1,835	6.698	27.355	206,252,928	3.103	7.737
125,000 - 149,999	1,971	7.195	34.550	270,994,337	4.077	11.814
150,000 - 174,999	1,895	6.917	41.467	308,077,745	4.635	16.449
175,000 - 199,999	1,868	6.819	48.286	350,057,453	5.266	21.715
200,000 - 224,999	1,717	6.268	54.554	364,171,400	5.479	27.194
225,000 - 249,999	1,546	5.643	60.197	366,668,497	5.516	32.710
250,000 - 274,999	1,516	5.534	65.731	397,209,013	5.976	38.686
275,000 - 299,999	1,309	4.778	70.509	376,366,500	5.662	44.348
300,000 - 324,999	1,242	4.534	75.043	387,292,244	5.827	50.175
325,000 - 349,999	993	3.625	78.668	334,640,917	5.034	55.209
350,000 - 374,999	835	3.048	81.716	302,331,001	4.548	59.758
375,000 - 399,999	807	2.946	84.661	311,939,862	4.693	64.451
400,000 - 424,999	674	2.460	87.122	277,698,862	4.178	68.628
425,000 - 449,999	556	2.030	89.151	243,107,072	3.657	72.286
450,000 - 474,999	480	1.752	90.903	221,699,393	3.335	75.621
475,000 - 499,999	365	1.332	92.236	177,851,386	2.676	78.297
500,000 and greater	<u>2,127</u>	<u>7.764</u>	100.000	<u>1,442,601,261</u>	<u>21.703</u>	100.000
	27,395	100.000%		\$6,646,964,525	100.000%	

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

[REMAINDER OF PAGE LEFT BLANK]

Tax Levies, Collections and Delinquencies

Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year, and if unpaid, become delinquent after December 10 and April 10, respectively. A 10% penalty attaches to any delinquent installment plus a minimum \$10 cost on the second installment, plus any additional amount determined by the Treasurer. See “– *Ad Valorem* Property Taxation” herein.

Pursuant to Revenue and Taxation Code Section 4985.2, the Treasurer may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer’s control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

In addition, on May 6, 2020, the Governor signed Executive Order N-61-20 (“Order N-61-20”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code were suspended until May 6, 2021 to the extent said provisions required a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent, subject to certain conditions set forth in in Order N-61-20. See “Alternative Method of Tax Apportionment – ‘Teeter Plan’” below, and “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19” herein.

The Counties levy and collect all property taxes for property falling within their respective taxing boundaries. The following table shows secured *ad valorem* property tax levies within the District, and amounts delinquent as of June 30, for fiscal years 2015-16 through 2020-21.

SECURED TAX CHARGES AND DELINQUENCIES 2015-16 through 2020-21 Mendocino-Lake Community College District

(Mendocino County Only)

	<u>Secured Tax Charge</u> ⁽¹⁾	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2015-16	\$1,487,187.58	\$43,905.05	2.95%
2016-17	\$1,419,135.80	\$46,739.37	3.29%
2017-18	\$1,415,369.34	\$51,716.52	3.65%
2018-19	not available at this time		
2019-20	\$1,603,155.23	\$58,107.54	3.62%
2020-21	not available at this time		

⁽¹⁾ District’s general obligation bond debt service levy.

Source: *California Municipal Statistics, Inc.*

Alternative Method of Tax Apportionment – Teeter Plan

The Boards of Supervisors of the Counties have approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Revenue and Taxation Code Section 4701 *et seq.* Under the Teeter Plan, the Counties apportion the unpaid secured property taxes as of June 30 of the current fiscal year (irrespective of actual collections) to its local political subdivisions, including the District, for which the Counties act as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the Counties act as the tax-levying or tax-collecting agency, or for which the Counties’ treasury is the legal depository of the tax collections. As adopted by the Counties, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

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

The Teeter Plan is to remain in effect unless the Counties’ Boards order its discontinuance or unless, prior to the commencement of any fiscal year of the Counties (which commences on July 1), the Counties’ Boards receive a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the Counties. In the event the Counties’ Boards are to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the Counties act as the tax-levying or tax-collecting agency.

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

Tax Rates

Representative tax rate areas (“TRAs”) located within the District are Mendocino County Tax Rate Areas 3-1, 153-4, and 154-28 and Lake County Tax Rate Areas 1-0 and 56-35. The table below demonstrates the total tax rates, based on a percentage of *ad valorem* assessed valuation, levied by all taxing entities in these TRAs during the five-year period from 2016-17 through 2021-22.

**TYPICAL TAX RATES PER \$100 OF ASSESSED VALUATION
Fiscal Years 2016-17 through 2021-22
(TRA 3-1, TRA 153-4, TRA 154-28, TRA 1-0, TRA 56-35)
Mendocino-Lake Community College District**

	<u>2016-17</u> <u>2021-22</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
<u>Mendocino County Portion</u>					
<u>TRA 3-001 / 2021-22 Assessed Valuation: \$436,174,810</u>					
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
	1.000000				
Ukiah Unified School District	.125000	.138000	.134000	.139000	.183000
.090000					
Mendocino-Lake Community College District	<u>.022000</u>	<u>.021000</u>	<u>.021000</u>	<u>.022000</u>	<u>.023000</u>
<u>.021000</u>					
Total Tax Rate	1.147000	1.159000	1.155000	1.161000	1.206000
1.111000					
<u>TRA 153-004 / 2021-22 Assessed Valuation: \$428,121,750</u>					
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
	1.000000				
Willits Unified School District	.056000	.044000	.047000	.064000	.043000
.043000					
Mendocino-Lake Community College District	<u>.022000</u>	<u>.021000</u>	<u>.021000</u>	<u>.022000</u>	<u>.023000</u>
<u>.021000</u>					
Total Tax Rate	1.078000	1.065000	1.068000	1.086000	1.066000
1.064000					
<u>TRA 154-028 / 2021-22 Assessed Valuation: \$528,506,131</u>					
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
1.000000					
Ukiah Unified School District	.125000	.138000	.134000	.139000	.183000
.090000					
Mendocino-Lake Community College District	<u>.022000</u>	<u>.021000</u>	<u>.021000</u>	<u>.022000</u>	<u>.023000</u>
<u>.021000</u>					
Total Tax Rate	1.147000	1.159000	1.155000	1.161000	1.206000
1.111000					
<u>Lake County Portion</u>					
<u>TRA 1-000 / 2021-22 Assessed Valuation: \$266,879,614</u>					
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
	1.000000				

Lakeport Unified School District	.106990	.108670	.091910	.103640	.085810
.114980					
Mendocino-Lake Community College District	<u>.022000</u>	<u>.021000</u>	<u>.021000</u>	<u>.022000</u>	<u>.023000</u>
<u>.021000</u>					
Total Tax Rate	1.128990	1.129670	1.112910	1.125640	1.108810
1.135980					

TRA 56-035 / 2021-22 Assessed Valuation: \$511,324,449

General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
1.000000					
Kelseyville Unified School District	.069910	.069560	.064320	.068480	.062460
.071670					
Mendocino-Lake Community College District	<u>.022000</u>	<u>.021000</u>	<u>.021000</u>	<u>.022000</u>	<u>.023000</u>
<u>.021000</u>					
Total Tax Rate	1.091910	1.090560	1.085320	1.090480	1.085460
1.092670					

Source: California Municipal Statistics, Inc.

Largest Property Owners

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 2021-22 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 2021-22
Mendocino-Lake Community College District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2021-22 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Mendocino Forest Products Company LLC	Industrial/Timber	\$73,376,977	0.62%
2.	Beckstoffer Vineyards	Vineyards	68,267,065	0.57
3.	VCT USA Inc.	Vineyards	67,826,162	0.57
4.	Waterfowl Wine Company	Vineyards	36,962,214	0.31
5.	Vintage Wine Estates Inc.	Vineyards	32,474,046	0.27
6.	Jackson Family Investments II LLC	Vineyards	29,027,914	0.24
7.	Safeway Inc.	Commercial	28,795,092	0.24
8.	Costco Wholesale Corporation	Commercial	23,290,334	0.20
9.	Heritage Wine LLC	Vineyards	22,435,885	0.19
10.	Worldmark the Club	Hotel	20,425,559	0.17
11.	Anderson Vineyards Inc.	Vineyards	20,266,996	0.17
12.	Pear Tree REH LLC	Shopping Center	19,781,704	0.17
13.	Savings Bank of Mendocino County	Bank	18,962,578	0.16
14.	William C. & Janet Pauli, Trustees	Vineyards	17,552,475	0.15
15.	Charles & Kerri Vau, Trustees	Vineyards	16,867,807	0.14
16.	Ukiah LLC	Shopping Center	16,514,052	0.14
17.	Lynette Carroll Rose Trust	Commercial	15,034,760	0.13
18.	Pear Orchard Associates	Commercial	14,782,803	0.12
19.	Mendocino Redwood Company	Timber	13,671,933	0.12
20.	Dennis J. & Carol Thurston	Commercial	<u>12,397,067</u>	<u>0.10</u>
			\$568,713,423	4.79%

⁽¹⁾ The fiscal year 2021-22 local secured assessed valuation of the District is \$11,874,321,444.

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”), dated as of December 1, 2021, prepared by California Municipal Statistics, Inc. for debt issued as of January 1, 2022. 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 following table shows the percentage of each overlapping entity’s assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity’s existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

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

[REMAINDER OF PAGE LEFT BLANK]

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Mendocino-Lake Community College District**

2021-22 Assessed Valuation: \$12,262,538,080

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/22</u>
Mendocino County Community College District	100.000%	\$60,309,462 ⁽¹⁾
Anderson Valley Unified School District	100.000	6,403,077
Kelseyville Unified School District	100.000	22,915,674
Lakeport Unified School District	100.000	16,498,152
Laytonville Unified School District	100.000	5,448,639
Potter Valley Unified School District	100.000	2,685,000
Round Valley Unified School District	100.000	7,956,113
Ukiah Unified School District	100.000	61,214,633
Upper Lake Unified School District	100.000	7,285,144
Upper Lake Unified School District SFID No. 1	100.000	9,108,798
Willits Unified School District	100.000	13,982,054
Upper Lake Union High School District	100.000	255,189
Lucerne School District	100.000	2,790,000
City of Lakeport Reassessment District No. 2017-1	100.000	<u>2,160,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$219,011,935

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Mendocino County General Fund Obligations	62.548%	\$9,200,811
Mendocino County Pension Obligation Bonds	62.548	21,213,154
Round Valley Unified School District General Fund Obligations	100.000	2,127,103
Ukiah Unified School District General Fund Obligations	100.000	6,653,295
Upper Lake Union High School District General Fund Obligations	100.000	5,601,651
City of Lakeport General Fund and Pension Obligation Bonds	100.000	2,959,000
City of Ukiah General Fund Obligations	100.000	55,918,515
Little Lake Fire Protection District Certificates of Participation	100.000	<u>6,895,000</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$110,568,529

OVERLAPPING TAX INCREMENT DEBT (Successor Agency): \$9,133,224

COMBINED TOTAL DEBT \$338,713,688 ⁽²⁾

Ratios to 2021-22 Assessed Valuation:

Direct Debt (\$60,309,462)	0.49%
Total Direct and Overlapping Tax and Assessment Debt	1.79%
Combined Total Debt.....	2.76%

Ratio to Redevelopment Incremental Valuation (\$1,362,104,567):

Total Overlapping Tax Increment Debt	0.67%
--	-------

⁽¹⁾ Excludes the Bonds and includes the Refunded Bonds.

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal and Maturity Value of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax levied by the Counties for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein. Articles XIII A, XIII B, XIII C and XIII D, 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 Counties to levy taxes on behalf of the District and for 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 Counties on behalf of the District to levy ad valorem property taxes for payment of the Bonds.

Article XIII A of the State Constitution

Article XIII A limits the amount of *ad valorem* property taxes on real property to 1% of “full cash value” as determined by the county assessor of each county. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the fiscal year 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 the 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 Counties to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF THE 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, (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. 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.

Proposition 19

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

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 “situs.” 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 and all tax rates reflect the \$1 per \$100 of taxable value (unless noted differently).

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

Proposition 50 and Proposition 171

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

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value

equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

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

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by 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 community supported district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula for community college districts. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues,” and “MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT” herein.

Article XIII B of the State Constitution

Article XIII B of the State Constitution (“Article XIII B”), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, 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 K-14 school districts means the percentage change in the average daily attendance (“ADA”) of such K-14 school district from the preceding fiscal year.

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

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for 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” herein.

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 being returned to

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

Since the Accountability Act is unclear in some details, there can be no assurances that the 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.

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 school funding priority and allocation.

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in 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 school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such districts' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the State Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the 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. 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) approximately 40% 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 XIIB 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.

Article XIIC and Article XIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the State Constitution Articles XIIC and XIID (respectively, “Article XIIC” and “Article XIID”), which contain a number of provisions affecting the ability of local agencies, including 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 XIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts and community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the Counties pursuant to Article XIII A. 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 to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Proposition 39

On November 7, 2000, State voters approved an amendment (commonly known as “Proposition 39”) to the State Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the 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-12 school districts, community college 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 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate projected to be levied as the result of any single election would not exceed \$60 (for a unified school district), \$30 (for an elementary school district 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. 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 v. 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 Controller of the State). 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-third approval of both houses of the State Legislature or (iv) decrease vehicle license fee revenues without providing local governments with equal replacement funding. Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to 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 school districts and community college 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 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 – Dissolution of Redevelopment Agencies” herein.

Propositions 30 and 55

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

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee 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 school districts and 11% provided to community college districts. The funds are being 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 the 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 changes 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 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 the 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 otherwise be 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 by the State for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school facilities (\$500 million) and technical education facilities (\$500

million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, school districts that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

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

The District makes no representation or 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, and Propositions 98, 39, 22, 26, 55, 51 and 30 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 colleges and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and Maturity Value of, as applicable, and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem property tax required to be levied by the Counties in an amount sufficient for the payment thereof.

Major Revenues

General. State community college districts (other than community supported 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, the lottery funds, and other minor sources. Every community college district receives the same amount of State lottery funds on a per-student basis (which is generally less than 3%), although lottery funds 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 major local revenue source is local property taxes that are collected from within district boundaries, with student enrollment fees accounting for the 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 or leases of property.

The sum of property taxes, student enrollment fees, EPA funds, and State aid comprise a district's revenue limit. State funding is generally 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 community college districts.

"Community supported" community college districts (formerly referred to as "basic aid" districts) are those districts whose local property taxes, student enrollment fee collections, and EPA funds exceed the revenue allocation determined by the current State funding model. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 55" herein. Thus, community supported districts do not receive any general apportionment funding from the State. 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 currently a community supported district.

Enrollment Based Funding. State community college districts apportionments were previously funded pursuant to a system established by Senate Bill 361 ("SB 361"). SB 361 provided for a basic allocation (a "Basic Allocation") based on the number of colleges, state-approved education centers and total enrollment, together with funding based on per-student rates for credit FTES, non-credit FTES and career development and college preparation ("CDCP") non-credit FTES.

SB 361 specified that, commencing with the 2006-07 fiscal year the minimum funding per FTES would be: (a) not less than \$4,367 per credit FTES; (b) at a uniform rate of \$2,626 per non-credit FTES; and (c) \$3,092 per CDCP FTES. 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 was subject to cost of living adjustments (each, a "COLA"), if any, funded through the State budgeting legislation in each fiscal year.

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 established an enrollment cap on the maximum number of resident FTES, known as the "funded" FTES, for which a community college district would receive a revenue allocation. A district's enrollment cap was 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 were considered "unfunded" FTES. Nonresident and international students are excluded from the State funding formula and pay full tuition.

Student Centered Funding Formula. Assembly Bill 1809 ("AB 1809"), the higher education trailer bill passed as part of the State budget for fiscal year 2018-19, implemented a new funding mechanism for community college districts referred to as the "Student Centered Funding Formula," (the "SCFF"). The SCFF includes three components: (1) a base allocation (the "Base Allocation") driven primarily by enrollment, (2) a supplemental allocation (the "Supplemental Allocation") based on the number of certain types of low-income students, and (3) a student success allocation (the "Student Success Allocation") calculated using various performance-based metrics.

The SCFF includes several hold-harmless provisions to provide districts greater financial stability in transitioning to the new formula: (i) for fiscal years 2018-19 through 2021-22, community college districts will receive no less in total apportionment funding than they received in 2017-18, adjusted for COLAs; (ii) for fiscal year 2022-23 and onward, districts will receive no less in apportionment funding per-

student than they received in fiscal year 2017-18; and (iii) beginning in fiscal year 2019-20, districts will receive the greater of the amount calculated by the SCFF for the current or prior year (excluding amounts districts receive pursuant to the provision summarized in (i) above). State budgetary legislation has extended the hold harmless provision of the SCFF through fiscal year 2024-25. See also “– State Assistance” herein.

Base Allocation. The Base Allocation is composed of (1) the Basic Allocation, determined consistent with the prior funding formula (see “– Enrollment Based Funding” herein), and (2) funding for credit, non-credit and CDCP FTES. The Base Allocation was expected to constitute approximately 70% of Statewide funding for community college districts in fiscal year 2018-19, 65% in fiscal year 2019-20, and 60% in fiscal years 2020-21 and onward.

The SCFF provides minimum funding levels for credit FTES for the first three fiscal years, as follows: (i) \$3,727 for fiscal year 2018-19, (ii) \$3,387 for fiscal year 2019-20, adjusted for COLAs and other base adjustments, and (iii) \$3,046 for fiscal year 2020-21, adjusted for COLAs and other base adjustments in both the then-current and prior fiscal year. Notwithstanding the foregoing, the SCFF provides higher credit FTES funding rates for certain districts, which do not include the District, that were entitled to higher funding rates under the prior funding formula. Beginning in fiscal year 2021-22, the provision of COLAs and other adjustments will be subject to appropriation therefor in the annual State budget. Total funding for credit FTES will be based on a rolling three-year average of the funded credit FTES from the current fiscal year and the two immediately preceding fiscal years. Credit FTES associated with enrollment growth proposed in the annual budget act shall be excluded from the three-year average and shall instead be added to the computed three-year rolling average. In computing the three-year average, credit FTES generated by incarcerated and special admit students shall be excluded and funded consistent with the prior funding formula.

Funding levels for non-credit and CDCP FTES are determined consistent with the prior funding formula. See “– Enrollment Based Funding” herein. Total funding for these categories will be based on actual non-credit and CDCP FTES for the most recent fiscal year.

For fiscal year 2019-20, the District received a Base Allocation equal to \$18,630,085. For fiscal year 2020-21, the District received a Base Allocation equal to \$17,136,202. For fiscal year 2021-22, the District has projected the receipt of a Base Allocation equal to \$17,182,658.

[REMAINDER OF PAGE LEFT BLANK]

The following table shows the District’s resident FTES figures for the last six fiscal years, along with a budgeted FTES for the current fiscal year.

FULL TIME EQUIVALENT STUDENTS⁽¹⁾
Mendocino-Lake Community College District
Fiscal Years 2015-16 through 2021-22

<u>Year</u>	<u>Funded FTES⁽²⁾</u>	<u>Actual FTES⁽³⁾</u>
2015-16	3,046	2,584
2016-17	3,065	3,065
2017-18	2,456	2,456
2018-19	2,762	2,760
2019-20	2,890	3,120
2020-21	2,913	1,992
2021-22 ⁽⁴⁾	2,974	1,883

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

⁽²⁾ In each fiscal year, the State budget will establish an enrollment cap on the maximum number of 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.

⁽³⁾ For fiscal years 2015-16 and 2020-21, the District utilized the State’s stability funding mechanism. Reflects actual FTES, which is lower than the FTES for which it received or expects to receive stability funding. For fiscal years 2017-18 and 2018-19, the District received hold harmless funding due to SCFF, and for fiscal years 2020-21 and 2021-22, there were emergency allowances due to COVID-19.

⁽⁴⁾ Budgeted.

Source: Mendocino-Lake Community College District.

Supplemental Allocation. The Supplemental Allocation, accounting for approximately 20% of Statewide funding, will be distributed to districts based on their headcounts of students that qualify for Federal Pell Grants, California College Promise Grants or student fee waivers under Education Code Section 76300. The SCFF provides \$919 per qualifying student for fiscal year 2018-19. Beginning in fiscal year 2019-20, the provision of COLAs and other adjustments to this amount will be subject to appropriation therefor in the annual State budget. Headcounts are not unduplicated, such that districts will receive twice as much supplemental funding for a student that falls into more than one of the aforementioned categories. For fiscal year 2019-20, the District received a Supplemental Allocation of \$3,987,288. For fiscal year 2020-21, the District received a Supplemental Allocation of \$4,123,800. For fiscal year 2021-22, the District has projected for the receipt of a Supplemental Allocation of \$4,332,877.

Student Success Allocation. The Student Success Allocation will be distributed to districts based on their performance in a various student outcome metrics, including obtaining various degrees and certificates, completing transfer-level math and English courses within a student’s first year, and having students obtain a regional living wage within a year of completing community college. The Student Success Allocation is expected to account for 10% of statewide funding for community college districts in fiscal year 2018-19, 15% in fiscal year 2019-20, and 20% in fiscal years 2020-21 and onward. Each metric is assigned a point value, with some metrics weighted more than others. A single student outcome with more points will generate more funding. Outcome metrics for students that qualify for Federal Pell Grants and California College Promise Grants are eligible for additional funding.

For fiscal year 2019-20, the SCFF provided a rate for all students of \$660 per point, and an additional \$167 per point for Pell Grant and California College Promise Grant students, subject to COLAs

and other base adjustments. For fiscal year 2020-21, the rates increased to \$880 per point and \$222 per point, respectively, subject to COLAs and other base adjustments. For fiscal year 2019-20, the District received a Student Success Allocation equal to \$1,907,852. For fiscal year 2020-21, the District received a Student Success Allocation equal to \$2,058,093. For fiscal year 2021-22, the District has projected for the receipt of a Student Success Allocation equal to \$2,237,637.

Considerations Regarding COVID-19

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

The spread of COVID-19 is having significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations are to coordinate and formalize emergency actions across federal, State and local governmental agencies, and to proactively prepare for a wider spread of the virus.

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed by the President of the United States. The CARES Act appropriates over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments. The CARES Act includes approximately \$14.25 billion in funding for higher education, including State community college districts, principally in the form of direct emergency aid to students and institutional grants. The CARES Act also waives a number of federal regulatory requirements to provide institutions greater flexibility in addressing the effects of the COVID-19 outbreak.

On December 27, 2020, the President of the United States signed the Consolidated Appropriations Act, 2021, which includes approximately \$900 billion worth of provisions for additional COVID-related relief, including extension of or additional funding for various relief programs implemented by the CARES Act. The Consolidated Appropriations Act, 2021 provides approximately \$82 billion of COVID-19 related relief for education, including \$54.3 billion for K-12 schools (largely through Title I funding), \$22.7 billion for higher education and \$4 billion for state governors to spend at their discretion. See also “– State Assistance” herein. On March 12, 2021, the President signed the American Rescue Plan Act of 2021, which will provide approximately \$1.9 trillion in federal economic stimulus intended to accelerate the recovery from the COVID-19 pandemic. The American Rescue Plan provides direct payments to individuals, extends unemployment benefits, provides funding to distribute COVID-19 vaccines and provides funding for schools, higher education institutions, state, tribal governments and businesses. The District can make no representation whether the American Rescue Plan will provide additional funding for the District, or the timing of the receipt of such potential funding.

On March 17, 2020, the Governor signed Senate Bill 89 (“SB 89”), which amends the Budget Act of 2019 by appropriating \$500,000,000 from the State General Fund for any purpose related to executing the emergency proclamation issued by the Governor on March 4, 2020. On March 19, 2020, the Governor ordered all State residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the “Stay Home Order”).

In response to the COVID-19 outbreak, the District delivered its classes and student services remotely for the fall and spring terms for the 2020-21 academic year, except for select lab and studio classes which maintained some hands-on curriculum delivered in-person. For the 2021 fall semester, the District offered approximately 52% of courses on-campus as compared to before COVID-19. The District estimates on-campus courses to be offered at the 70% level for the 2022 spring semester. The District will continue to offer online and hybrid courses as they serve the diverse needs of its students by providing flexibility.

The District has received approximately \$11,346,757 in federal aid pursuant to the CARES Act, 39% of which is allocated for student grants and 61% of which is allocated for the District for institutional costs caused by the impact of COVID-19. In addition, the District has received \$295,179 in federal aid from the Education Stabilization Fund pursuant to the CARES Act, \$134,902 in COVID-19 related federal aid in the form of a block grant, and \$165,594 in COVID-19 related State aid in the form of a block grant. No assurances can be given of the timing of receipt of such funds.

On August 28, 2020, the Governor released a revised system of guidelines for reopening entitled Blueprint for a Safer Economy (“Blueprint”). Blueprint assigns each of the State’s 58 counties into four color-coded tiers – purple, red, orange and yellow – in descending order of severity, based on the number of new daily cases of COVID-19 and the percentage of positive tests. Counties must remain in a tier for at least three weeks before advancing to the next one. To move forward, a county must meet the next tier’s criteria for two consecutive weeks. If a county’s case rate and positivity rate fall into different tiers, the county remains in the stricter tier. Community college districts can reopen for limited in-person instruction once their county has been in the red tier (daily new cases of 4-7 per 100,000 people and 5-8% positive tests) for at least two weeks. When they reopen, community college districts must follow the interim guidance for institutions of higher education (the “Guidelines”), released by the Governor on August 7, 2020. Implementation of the Guidelines as part of a phased reopening will depend on local conditions, including the level of COVID-19 infections and hospitalization rates for a minimum of 14 days, testing resources of the District and Counties, and preparedness of the Counties’ healthcare system. If there are positive cases of COVID-19 within a District, a campus could be partially or fully closed for in-person instruction. While indoor lectures and student gatherings were prohibited at community college districts in counties that were in the purple (widespread) tier, some non-lecture based courses were permitted on campuses. For classes that were held in person, the guidelines encouraged use of outdoor and other non-classroom spaces for instruction.

During certain emergency conditions, state regulations provide that a community college district may be provided an “emergency conditions allowance,” calculated to approximate the same general purpose apportionment that such district would have received in absence of the emergency. Emergency conditions are defined to include epidemics, an order from a city or county board of health or the State Board of Health, or another emergency declared by the State or federal government. Districts are required to demonstrate that the occurrence of the emergency condition prevented the district from maintaining its schools during a fiscal year for a period of 175 days, or caused the district’s general purpose apportionment to be materially decreased in that year or in subsequent years. To receive the emergency conditions allowance, a district must demonstrate to the satisfaction of the Chancellor that the district made good faith efforts to avoid material decreases in general purposes apportionments. Community college districts may also seek a waiver of the 175-day requirement. Finally, the Board of Governors of the California Community Colleges (the “Board of Governors”), on March 16, 2020, granted the Chancellor temporary emergency powers to suspend or waive State regulatory requirements and local rules and regulations that present barriers to the continuity of educational services. This temporary grant is in addition to standing emergency powers of the Chancellor to hold community college districts financially harmless in the wake of campus closures.

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

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

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the District's operations and finances is unknown. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to the Governor's office (<http://www.gov.ca.gov>), the California Department of Public Health (<http://covid19.ca.gov/>), the Counties (<https://www.mendocinocounty.org/community/novel-coronavirus>) and (http://www.lakecountycalifornia.gov/Government/Directory/Human_Resources/COVID-19.htm), and the Chancellor's Office (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/Communications-and-Marketing/Novel-Coronavirus>). The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.

There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District, or adversely impact enrollment or FTES within the District and, notwithstanding Executive Order N-26-20 and the Stay Home Order, materially adversely impact the financial condition or operations of the District. See also "TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations" herein.

Budget Procedure

On or before September 15, the Board of Trustees of a community college district is required under Code of Regulations, Title V, Section 58305, to adopt a balanced budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges, submits to the Department of Finance ("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 legislature. The Governor's Budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, 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 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 Chancellor has been given the responsibility to identify community college districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation 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 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 Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

See "MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT– District Budgeting" herein for more information regarding the District's recent budgets.

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 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).

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-12 districts, community college 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 education 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 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 1986-87. Initially, that share was just over 40%. Because of the major shifts of property tax from local government to K-14 school districts which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth 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 one percent of the prior-year funding level as a funding supplement.

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

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

Redevelopment Revenue. The District previously received tax offset revenue from the Counties as a part of certain redevelopment projects within the Counties (the “Tax Offset Revenues”). The Tax Offset Revenues received are deposited directly into the general fund of the District and offset the State apportionment received by the District. The District also receives pass-through tax increment revenue (the “Pass-Through Revenues”) from the redevelopment agencies within the District’s boundaries. The Pass-Through Revenues received by the District are deposited into the District’s Capital Projects Fund, and used for facilities improvements. The Pass-Through Revenues do not offset the State apportionment received by the District. The amount of Tax Offset Revenues and Pass-Through Revenues received by the District from fiscal years 2016-17 through 2020-21, as well as projected amounts for fiscal year 2021-22, are shown in the following table.

TAX OFFSET AND PASS-THROUGH REVENUES
Fiscal Years 2016-17 through 2020-21
Mendocino-Lake Community College District

Fiscal Year	Tax Offset Revenues⁽¹⁾	Pass-Through Revenues⁽²⁾
2016-17	\$9,457,094	\$104,648
2017-18	10,081,432	149,367
2018-19	10,096,925	154,571
2019-20	10,572,330	156,525
2020-21	11,438,103	158,488
2021-22 ⁽³⁾	10,842,747	150,000

⁽¹⁾ Tax Offset Revenues received offset State apportionments received by the District.

⁽²⁾ Pass-Through Revenues received do not offset State apportionments received by the District.

⁽³⁾ Projected.

Source: Mendocino-Lake Community College District.

Dissolution of Redevelopment Agencies

On December 30, 2011, the State 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 the State ceased to exist as a matter of law on February 1, 2012.

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 State 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 is 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 Department of Finance 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 revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District 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.

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

State Assistance

State community college districts’ principal funding formulas and revenue sources are derived from the budget of the State. 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 guarantee the accuracy or completeness of this information and neither the District

nor the Underwriter have independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal or Maturity Value of, as applicable, 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 Counties in an amount sufficient for the payment thereof.

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

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

For fiscal year 2020-21, the 2021-22 Budget projects total general fund revenues and transfers of \$188.8 billion and authorizes expenditures of \$166.1 billion. The State is projected to end the 2020-21 fiscal year with total available reserves of \$39.8 billion, including \$25.1 billion in the traditional general fund reserve, \$12.3 billion in the BSA, \$1.9 billion in the PSSSA and \$450 million in the Safety Net Reserve Fund. For fiscal year 2021-22, the 2021-22 Budget projects total general fund revenues and transfers of \$175.3 billion and authorizes expenditures of \$196.4 billion. The State is projected to end the 2021-22 fiscal year with total available reserves of \$25.2 billion, including \$4 billion in the traditional general fund reserve, \$15.8 billion in the BSA, \$4.5 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund.

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

Other significant features relating to community college district funding include the following:

- *General Apportionments:* An increase of \$395 million in ongoing Proposition 98 funding for general apportionments, comprised of (i) \$371.2 million to fund a 5.07% COLA, and (ii) \$23.8 million to fund 0.50% enrollment growth.
- *Deferrals:* \$1.453 billion in Proposition 98 funding to repay apportionment deferrals, of which \$144.6 million is from 2019-20, \$1.1 billion is from 2020-21 and \$229.8 million is from 2021-22.

- *Categorical Programs:* \$64.2 million in ongoing Proposition 98 funding to support budget augmentations for the Student Equity and Achievement Program, Extended Opportunity Programs and Services (EOPS), the Umoja Program, the Mathematics, Engineering and Science Achievement (MESA) Program, and the Puente Project.
- *Student Assistance:* \$250 million in one-time American Recovery Plan Act of 2021 funds to support emergency student financial assistance grants. The 2021-22 Budget also provides \$160 million in Proposition 98 funding for student assistance, comprised of \$100 million in one-time funding available over three years to address student basic needs including food and housing insecurity, \$30 million in ongoing funding to support student mental health services, and \$30 million in ongoing funding for colleges to establish basic needs centers and hire basic needs coordinators.
- *Retention and Enrollment Strategies:* \$120 million in one-time Proposition 98 funding to support efforts to bolster community college student retention rates and enrollment.
- *Guided Pathways:* \$50 million in one-time Proposition 98 funding to further support colleges' efforts to implement Guided Pathways programs, which are highly tailored and streamlined academic programs intended to rapidly and equitably advance students seeking associate degrees and college transfers.
- *Equal Employment Opportunity (EEO) Programs:* \$20 million in one-time Proposition 98 funding to support the implementation of EEO best practices developed by the Chancellor's Equal Employment Opportunity and Diversity Advisory Committee.
- *Textbooks:* \$5 million in one-time Proposition 98 funding to establish a grant program for associate degrees and career technical certificate programs earned entirely by completing courses that eliminate textbook costs. In addition, the 2021-22 Budget includes \$115 million in one-time Proposition 98 funding to develop and implement zero-textbook-cost degrees and open educational resources.
- *Workforce Programs:* \$42.4 million in ongoing Proposition 98 funding to increase program funding and enable community college districts to support work-based learning opportunities. The 2021-22 Budget also provides \$20 million in one-time Proposition 98 funding to support community college participation in High Road Training Partnerships and regional partnerships developed by the California Workforce Development Board.
- *California Apprenticeship Initiative:* \$15 million in additional, ongoing Proposition 98 funding to augment the California Apprenticeship Initiative, which provides grants to fund the creation of apprenticeships in a variety of categories.
- *Technology:* The 2021-22 Budget provides funding for a variety of technology investments, including (i) \$10.6 million in ongoing Proposition 98 funding to support the continuity of education and distance learning across the community college system, including access to online tutoring, online counseling and online student support services, (ii) \$10 million in one-time Proposition 98 funding to plan and develop a Statewide common course numbering system, and (iii) \$8 million in ongoing Proposition 98 funding for cost increases associated with broadband access.
- *Student Housing:* The 2021-22 Budget sets-aside \$2 billion of one-time funding, over a three-year period, to establish a low-cost student housing grant program for the public higher

education segments, focused on expanding the availability of affordable student housing. Additional details are contingent upon future legislation.

- *Facilities*: \$581.4 million in State general obligation bond funding, including \$8.2 million to start nine new capital outlay projects and \$573.2 million for the construction phase of 32 projects anticipated to complete design by the spring of 2022. This allocation represents the next installment of the \$2 billion available to community college districts under Proposition 51. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 51” herein. In addition, the 2021-22 Budget provides \$511 million in one-time Proposition 98 funding to address deferred maintenance.
- *College Faculty*: \$100 million in ongoing Proposition 98 funding to support the hiring of new full-time faculty, and \$100 million Proposition 98 funding, of which \$10 million is ongoing, to support part-time faculty office hours. In addition, the 2021-22 Budget provides \$20 million in one-time Proposition 98 funding for culturally competent professional development for faculty, including leveraging 21st-century technology to improve learning outcomes.
- *Adult Education*: \$21.8 million in ongoing Proposition 98 funding to reflect a 4.05% COLA for the Adult Education Program, and \$1 million ongoing Proposition 98 funding to support technical assistance for the Program.

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

Proposed 2022-23 State Budget. On January 10, 2022, the Governor released his proposed State budget for fiscal year 2022-23 (the “Proposed 2022-23 Budget”). The following information is drawn from the DOF and LAO overviews of the Proposed 2022-23 Budget.

The Proposed 2022-23 Budget reports that, since the passage of the prior year’s budgetary legislation, the State’s economy has continued to recover from the recession occasioned by the COVID-19 pandemic. Before accounting for certain required transfers (such as those to the BSA), State revenues are higher than the projections included in the 2021-22 Budget by almost \$28.7 billion over a three-year span from 2020-21 through 2022-23. The Proposed 2022-23 Budget attributes this increase to four main factors: (1) a more robust economic recovery, (2) a greater share of wage gains going to high-wage sectors, (3) a stronger-than-forecast stock market, and (4) higher inflation. The Proposed 2022-23 Budget identifies several risk factors that could affect the current economic and revenue forecasts, including the impact of the COVID-19 Omicron variant or other potential future COVID-19 variants, persistent supply chain issues, increased inflation, stock market volatility, and the lack of affordable housing.

For fiscal year 2021-22, the Proposed 2022-23 Budget projects total general fund revenues and transfers of \$196.7 billion and authorizes expenditures of \$210 billion. The State is projected to end the 2021-22 fiscal year with total reserves of \$47.4 billion, including \$20.5 billion in the traditional general fund reserve, \$19.3 billion in the BSA, \$6.7 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2022-23, the Proposed 2022-23 Budget projects total general fund revenues and transfers of \$195.7 billion and authorizes expenditures of \$213 billion. The State is projected to end the 2022-23 fiscal year with total available reserves of \$34.6 billion, including \$3.1 billion in the traditional general fund reserve, \$20.9 billion in the BSA, \$9.7 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund.

The upward revisions of State general fund revenues results in significant increases to the Proposition 98 minimum funding guarantee. Proposition 98 funding for K-14 school districts for fiscal year 2022-23 is set at \$102 billion, an increase of \$8.2 billion from the level set by the 2021-22 Budget. The Proposed 2022-23 Budget projects that Test 1 will be in effect in fiscal year 2022-23, as it has been in the prior two fiscal years. To accommodate expected enrollment increases related to the expansion of transition kindergarten (as described more fully below), the Proposed 2022-23 Budget would rebench the Test 1 percentage of State revenues allocated to education.

As a result of increased revenues, the Proposed 2022-23 Budget would also make certain retroactive adjustments to the minimum funding guarantee in fiscal years 2020-21 and 2021-22, setting them at \$95.9 billion and \$99.1 billion, respectively. Together with the funding level for fiscal year 2022-23, this represents a three-year increase in the guarantee of \$16.1 billion over the level included in the 2021-22 Budget.

Other significant features relating to community college district funding include the following:

- *General Apportionments:* An increase of \$434.3 million in ongoing Proposition 98 funding for general apportionments, comprised of (i) \$409.4 million to fund a 5.33% COLA, and (ii) \$24.9 million to fund 0.50% enrollment growth. In addition, the Proposed 2022-23 Budget notes that the hold-harmless provision of the Student Centered Funding Formula is set to expire after fiscal year 2024-25. To prevent fiscal declines, the Proposed 2022-23 Budget would create a funding floor for districts that allows them to transition to the core formula over time. Effectively, this would allow funding rates to continue to increase pursuant to statutory COLAs provided by annual budgetary legislation, would remove its application to the hold harmless provision commencing with fiscal year 2025-26, and would permanently extent the hold-harmless provision.
- *College Affordability:* A series of measures intended to expand college affordability across the community college, University of California, and California State University systems, including \$100 million in ongoing Proposition 98 funding to support a Student Success Completion Grant program at community college districts.
- *Equity and Student Success:* A series of measures intended to align with a State-wide student success and equity roadmap, including (i) \$105 million in one-time Proposition 98 funding to support the system-wide implementation of a common course numbering system, (ii) \$65 million in one-time Proposition 98 funding to implement certain college transfer reforms, (iii) \$25 million in one-time Proposition 98 funding to assist community college districts with the procurement and implementation of software that allows students to choose their pathway, facilitates streamlined transfers between segments, and reduces excess units taken on the path to degree or program completion, (iv) \$10 million in ongoing Proposition 98 funding to implement equal employment opportunity best practices with the goal of diversifying college staff, faculty and administrators, (v) \$10 million in ongoing Proposition 98 funding to augment resources provided to financial aid offices, and (vi) \$10 million in ongoing Proposition 98 funding to expand the availability of certain foster youth support services.
- *Retention and Enrollment Strategies:* \$150 million in additional one-time Proposition 98 funding to support efforts to bolster community college student retention rates and enrollment.
- *Part Time Faculty Health Insurance:* An increase of \$200 million in ongoing Proposition 98 funding to expand healthcare coverage provided to part-time faculty.

- *Healthcare Vocational Education*: An increase of \$130 million in one-time Proposition 98 funding to support healthcare-focused vocational pathways for English language-learners across all levels of proficiency.
- *Technology Modernization and Data Protection*: An increase of \$100 million in Proposition 98 funding, of which \$75 million is one-time and \$25 million is ongoing, to address modernization of community college technology infrastructure, including sensitive data protection efforts.
- *Student Assistance*: An increase of \$20 million in one-time Proposition 98 funding to support emergency student financial assistance grants.
- *Guided Pathways*: \$45 million in one-time Proposition 98 higher education funding, including \$20 million for community college districts, to fund a grant program for pathways and partnerships for STEM, education and health care career preparation.
- *Facilities*: \$373 million in State general obligation bond funding to support 17 projects anticipated to be completely designed by 2023, and the working drawings phase of 1 additional project. This represents the next installment available to community college districts under Proposition 51. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 51” herein. In addition, the Proposed 2022-23 Budget provides an increase of \$387.6 million in one-time Provision 98 funding to support deferred maintenance and energy efficiency projects.

For additional information regarding the Proposed 2022-23 Budget, see the DOF and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Future Actions and Events. The District cannot predict what additional actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools. The COVID-19 pandemic has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, the pandemic could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See “– Considerations Regarding COVID-19” herein. 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 and Accreted Value of and interest on the Bonds would not be impaired.

MENDOCINO-LAKE 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 and Maturity Value of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the revenues generated by an ad valorem property tax required to be levied by the Counties in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein.

Introduction

The District was founded in 1973 and encompasses a large portion of Mendocino County and adjacent Lake County. The District serves the cities of Ukiah, Hopland, Willits and Potter Valley (Mendocino County) and Lakeport and Kelseyville (Lake County). Ukiah is approximately 100 miles north of San Francisco along Highway 101.

The District is a political subdivision of the State and is one of 112 public community colleges within the State. In general, the District provides public post-secondary education to students in accordance with the State’s policy that all residents be given the opportunity to pursue higher education degrees beyond the secondary grade level at an affordable price. The District provides graduates two-year college degrees and provides accredited instruction (educational units) that is transferable to other four-year colleges or universities as well as vocational and technical institutions of higher learning.

The District operates a main campus in Ukiah and two additional educational centers located within its jurisdictional boundaries. Mendocino College is currently fully accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges. Taxable property within the District has an assessed valuation of \$12,262,538,080 for fiscal year 2021-22. For fiscal year 2021-22, the District has projected a full time equivalent student count (“FTES”) of 2,974 students. However, the District’s actual FTES count and the future assessed valuation of taxable property may be affected by the ongoing COVID-19 outbreak. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19” herein.

Administration

The District is governed by a seven-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four 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>
Robert Jason Pinoli	President – Area No. 4	December 2024
Noel O’Neill	Trustee – Area No. 1	December 2024
Xochilt Martinez	Trustee – Area No. 2	December 2022
Marie L. Myers	Trustee – Area No. 3	December 2024
Philip (Ed) Nickerman	Trustee – Area No. 5	December 2022
John Tomkins	Trustee – Area No. 6	December 2022
TeMashio Anderson	Trustee – Area No. 7	December 2024

The management and policies of the District are administered by the Superintendent/President appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other key personnel. Dr. Star Rivera-Lacey is the Superintendent/President of the District and Ambur Borth is the Assistant Superintendent/Vice President of Finance and Administrative Services. Brief biographies follow:

Dr. Tim Karas, Superintendent/President. Dr. Tim Karas joined the District as the Superintendent/President in July 2020. Prior to this position, he served as President from 2018-2020 and Vice-President of Instruction from 2014-2018 at the College of Alameda, he served as Dean of Liberal Studies & Language Arts from 2009-2014 and Director of Library Services from 2005-2009 at Mission College, and he served as faculty at College of San Mateo from 2000-2005. Dr. Karas holds an Ed.D from Fielding Graduate University, a M.LIS from San Jose State University, a B.A. from Humboldt State University, and an A.A from West Valley College.

Eileen Cichocki, Assistant Superintendent/Vice President of Administrative Services. Eileen Cichocki was appointed as Assistant Superintendent/Vice President, Administrative Services of the District on July 1, 2014, after serving as the Director of Fiscal Services at the District since 2004. Prior thereto, she served as Budget Analyst at Santa Rosa Junior College since 1993. Ms. Cichocki holds an M.B.A and B.A. from Sonoma State University in addition to an A.A. from Santa Rosa Junior College.

Labor Relations

The District currently employs 60 full-time certified faculty and 115 classified employees and managers. In addition, the District employs 200 part-time faculty. These employees, except management and some part-time employees, are represented by three bargaining units as noted below:

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Mendocino-Lake Community College Classified Bargaining Unit	103	June 30, 2024
Mendocino College Part-time Faculty Association	53	June 30, 2024
Mendocino College Federation of Teachers	60	June 30, 2024

Source: The District.

Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by 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 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 on July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

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

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

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2021, the contribution rate is 10.250% for employees hired before the Implementation Date and 10.205% for employees hired after the Implementation Date, which remain unchanged the past two fiscal years. Pursuant to AB 1469, K-14 school districts’ contribution rate increased over a seven-year phase-in period in accordance with the following schedule:

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

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

Source: AB 1469.

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

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

The District's contributions to STRS were \$1,793,190 for fiscal year 2017-18, \$1,385,733 in fiscal year 2018-19, \$1,447,653 in fiscal year 2019-20, and \$1,300,811 in fiscal year 2020-21. The District estimates \$1,500,000 for its contribution to STRS for fiscal year 2021-22.

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

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer

defined benefit retirement plan. In addition to the State, employer participants at June 30, 2019 included 1,612 public agencies and 1,319 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

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

The District’s contributions to PERS were \$5,181,100 for fiscal year 2017-18, \$1,205,311 in fiscal year 2018-19, \$1,205,311 in fiscal year 2019-20, and \$1,509,210 in fiscal year 2020-21. The District has estimated \$1,600,000 for its contribution to PERS for fiscal year 2021-22.

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

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

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

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

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

⁽¹⁾ Amounts may not add due to rounding.

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

⁽³⁾ Reflects actuarial value of assets.

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

⁽⁵⁾ For fiscal year 2020-21, the additional \$430 million State contribution made pursuant to AB 84 did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.

⁽⁶⁾ On April 19, 2021, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2021-22 and released certain actuarial information to be incorporated into the June 30, 2020 actuarial valuation to be released in the latter half of 2021. For fiscal year 2021-22, the impact of the additional \$330 million State contribution made pursuant to AB 84 is directly reflected in the actuarially determined contribution for the first time, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015) (the “2017 Experience Analysis”), on

February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

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

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

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

In the STRS 2020 Review of Funding Levels and Risks, STRS noted that COVID-19 has the potential to affect investment performance, the number of teachers working in the State and the longevity of STRS members, which are the three main risks to long-term funding that STRS has been monitoring for the last few years. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19" herein. In the 2020 STRS Actuarial Report, the actuary reports that a potential decline in the number of teachers and a slower growth in total payroll constitute the largest risk facing employers with respect to STRS. For the 2020 STRS Actuarial Valuation, the number of teachers actively working dropped from 451,000 on June 30, 2019, to about 448,000 on June 30, 2020. This drop in the number of working teachers, combined with salary increases, resulted in the payroll increasing by approximately 2.8% between 2019 and 2020, below the assumed 3.5% annual payroll growth. The actuary notes that the assumed growth in the total payroll was a key component of the employer contribution rate calculated in the 2020 STRS Actuarial Valuation, and that a slower growth will require a higher employer contribution rate to be able to collect the same amount of contributions. The actuary notes that the number

of active teachers could be impacted in the future by K-12 enrollment, as well as teacher retirements. Based on CDE reports, net enrollment in K-12 school districts decreased by 3% (160,000 students) in 2020-21, the largest drop in 20 years, and the Department of Finance projects enrollment will continue to decline in the State over the next decade. In addition, in the first half of the fiscal year, STRS has seen a 26% increase in the number of retirements, and while an increase in retirements would normally not impact long-term funding, decisions made by employers about whether or not to replace the teachers who have retired could impact STRS ability to reach full funding by 2046, especially if it leads to an overall reduction in the number of teachers working in the State and a reduction in total payroll.

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

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy recently triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21.

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

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

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering

the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the mortality, retirement, and disability retirement rates.

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

The Schools Pool Actuarial Valuation as of June 30, 2020 (the “2020 PERS Actuarial Valuation”), reported that from June 30, 2019 to June 30, 2020 the funded ratio of the Schools Pool increased by 0.1% (from 68.5% to 68.6%), which was primarily due to the additional State contribution in July 2019 offset partially by the lower than expected investment return in fiscal year 2019-20. In addition, the 2020 PERS Actuarial Valuation reported that (i) the return on assets for fiscal year ending June 30, 2020, was approximately 4.7%^Δ reduced for administrative expenses, which was lower than the assumed return of 7.0%, leading to an investment experience loss^Δ, (ii) the overall demographic experience produced a nominal liability experience gain, and (iii) the normal cost declined slightly as the share of the active population of employees hired after the Implementation Date (defined below) continued to increase. When the PERS Board established the employer contribution rates for fiscal year 2021-22 on April 19, 2021, the PERS Board provided projections of the employer contribution rates for the next five fiscal years. Assuming all then-current actuarial assumptions are realized, including investment return of 7% in fiscal year 2020-21, that no changes to assumptions, methods or benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the^Δ contribution rate for fiscal year 2022-23 was projected to be 26.1%, with annual increases in most years thereafter, resulting in a projected 27.6% employer contribution rate for fiscal year 2026-27. However, the 2020 PERS Actuarial Valuation did not provide projections of the employer contribution rates because key actuarial assumptions to be used in the June 30, 2021 actuarial valuation, particularly the PERS Discount Rate, which is the key driver of pension plan cost, are not yet known. The PERS Discount Rate is presently undergoing review as part of the periodic Asset Liability Management Study currently in progress and other economic and demographic assumptions are also currently undergoing review as part of the PERS Experience Study conducted every four years. It is currently anticipated that both economic and demographic assumptions will be finalized by the end of the 2021 calendar year, and once finalized PERS will produce an addendum to the 2020 PERS Actuarial Valuation, which will contain projections of the employer contribution rates for the next five fiscal years, reflecting both the new assumptions as well as the actual fiscal year 2020-21 investment return (approximately 21.9% before reduction for administrative expenses).

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

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

As of June 30, 2021, the District's proportionate shares of the net pension liabilities for the STRS and PERS programs were \$14,697,215 and \$14,969,423, respectively. See also "APPENDIX B – 2020-21 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 8" attached hereto.

Other Post-Employment Benefits

Plan Description. The District provides post-employment benefits for certain eligible employees and their dependents (the “Post-Employment Benefits”). To participate, employees must have 15 years of service (20 years for employees hired after July 1, 2011) as a permanent employee of the District and be PERS or STRS retirement eligible. Membership of the plan consist of 22 retirees receiving benefits and 174 active plan members.

Funding Policy. The contribution requirements are established and may be amended by the District and the District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the years ended June 30, 2020 and 2021, the District contributed \$401,696 and \$374,917, respectively to the Plan. The District has budgeted a contribution of \$425,000 to the Plan in fiscal year 2021-22. For more information, see APPENDIX B – “2020-21 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11” herein.

The District currently maintains reserves of approximately \$1,580,950 to satisfy post-retirement health care benefit costs. These reserves have not been irrevocably pledged to fund liability, however, and may be accessed by the District upon Board action.

The District has established an irrevocable trust (the “OPEB Trust”) through a program sponsored by the Community College League of California. As of June 30, 2021, the value of assets in the OPEB Trust had a market value of \$0.

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

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

Under GASB 74, the measurement date must be the same as the plan’s fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the Total OPEB Liability, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB 74 requirements, a projection of the benefit payments and future Fiduciary Net Position is

performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB. The Fiduciary Net Position measures the value of trust assets, adjusted for payees and receivables.

Accrued Liability. The District’s most recent actuarial study, dated August 18, 2021, calculated the District’s accrued liability in accordance with GASB No. 74 and GASB No. 75. The study concluded that, as of a June 30, 2020 valuation date, the District’s Total OPEB Liability was \$5,614,919, its Fiduciary Net Position was \$0 and its Net OPEB Liability was \$5,614,919. In calculating the accrued liability, the District is required to recognize an implicit subsidy in retiree premium rates because retirees and current employees in the District’s health insurance plan are insured as a group, and it is assumed that the premiums paid for retiree insurance coverage are lower than they would have been if current retirees were insured separately.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through combinations of self-insurance mechanisms and the purchase of commercial insurance. The District established the self-insurance reserve to account for and finance uninsured risks of loss. The self-insurance program provides coverage up to a maximum of \$25,000,000 for each general liability and property claim. Settled claims resulting from these programs have not exceeded insurance coverage in any of the past three fiscal years.

While the ultimate outcome of the costs of self-insurance through year end is dependent on future developments, management believes that the aggregate amounts paid to the third-party administrators together with the reserves on hand and excess coverage as provided are adequate to cover the District’s losses, including claims that have been incurred but not reported (“IBNR”).

Health Benefit Program. The District’s health benefits include partially self-funded medical benefits and fully self-funded dental and vision benefits, which are the same for all eligible participants. Stop loss insurance is purchased each year for the partially self-funded medical benefits that provides coverage in excess of a \$80,000 specific deductible, in addition to a \$225,000 corridor. The District’s provision for IBNR claims shown below represents the estimated cost of settling self-insurance medical claims. The District is no longer self-funded as of June 30, 2020. The provision for IBNR claims was established by an outside actuary using accepted actuarial methods, which consider the effects of inflation and other economic factors to determine the ultimate cost.

<u>Year Ended</u>	<u>Deposits/ (Claim Payable) Beginning Balance</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Current-Year Claims Payments</u>	<u>Deposits/ (Claim Payable) Ending Balance</u>
June 30, 2017	\$(392,469)	\$(2,559,947)	\$2,403,393	\$(549,023)
June 30, 2018	(549,023)	(1,960,179)	2,028,151	(481,051)
June 30, 2019	(481,051)	(4,095,914)	3,499,162	(1,077,803)
June 30, 2020	(1,077,803)	(2,669,027)	3,252,001	(494,829)
June 30, 2021	(494,829)	166,691	328,138	--

The District moved to purchasing health insurance on July 1, 2019, rather than remaining partially self-funded. This greatly stabilized health benefit costs, making budgets and projections more predictable.

Joint Powers Authorities. The District participates in two joint powers authority (“JPA”) entities: the Northern California Community College Self-Insurance Authority (“NCCCSIA”) and the Schools Insurance Group Northern Alliance (“SIGNAL”). The relationship between the District and the JPAs is such that neither of the JPAs is a component unit of the District for financial reporting purposes.

NCCCSIA arranges and provides for the operation of a common risk management program covering property, liability, and workers’ compensation exposures. The membership includes 11 community college districts throughout Northern California.

Until June 30, 1994, the District participated in SIGNAL, which is a JPA organized in accordance with Title 1, Division 7, Chapter 5, Article 1 of the Government Code. The purpose of the organization is to jointly provide for a self-insurance plan and system for workers’ compensation claims against the member public educational agencies. SIGNAL is under the control and direction of a Board of Directors consisting of representatives of the member Districts. An Executive Committee controls the daily operations of SIGNAL independent of any influence by the District beyond the District’s participation on the Board of Directors.

Member contributions are based on rates established by the JPA’s Board of Directors. The Board sets member contribution rates based on actual historical loss experience statistics. Experience modification factors are computed for each member based on the guidelines of the Workers’ Compensation Insurance Rating Bureau of the State.

Commencing with the 1994-95 year, the District elected to transfer workers’ compensation coverage from SIGNAL to NCCCSIA. However, the liability for all events incurred prior to July 1, 1994, as well as the District’s residual equity to that date, remains with SIGNAL.

For more information regarding the Self-Funded Benefits, see APPENDIX B – “2020-21 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10” herein.

Mendocino College Foundation, Inc.

The Mendocino College Foundation, Inc. (the “Foundation”) is a not-for-profit public benefit corporation organized under Section 501(c)(3) of the Code. The Foundation was established to support the District and its students, specifically by providing scholarships to students and contributing directly to the District. Foundation contributions for student scholarships are deposited into the Scholarship Fund. The Foundation also contributes annually to the District’s unrestricted general fund. The following table lists the total annual foundation contributions to the District’s unrestricted and restricted general fund:

MENDOCINO COLLEGE FOUNDATION, INC. CONTRIBUTIONS
Fiscal Years 2017-18 through 2021-22
Mendocino-Lake Community College District

<u>Fiscal Year</u>	<u>Foundation Contributions</u>
2017-18	\$149,929
2018-19	166,265
2019-20	430,685
2020-21	240,578
2021-22 ⁽¹⁾	154,000

⁽¹⁾ Projected.

Source: Mendocino-Lake Community College District.

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 Education Code Section 84030, 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.

District Budgeting

The table on the following page shows the District's general fund budgets for fiscal years 2017-18 through 2021-22, unaudited actual results for fiscal years 2017-18 through 2020-21, and projected results for fiscal year 2021-22.

[REMAINDER OF PAGE LEFT BLANK]

GENERAL FUND BUDGETING
Mendocino-Lake Community College District
Fiscal Years 2017-18 through 2021-22

	<u>Fiscal Year 2017-18⁽¹⁾</u>		<u>Fiscal Year 2018-19⁽¹⁾</u>		<u>Fiscal Year 2019-20⁽¹⁾</u>		<u>Fiscal Year 2020-21⁽¹⁾</u>		<u>Fiscal Year 2021-22</u>	
	<u>Budgeted</u>	<u>Unaudited</u>	<u>Budgeted</u>	<u>Unaudited</u>	<u>Budgeted</u>	<u>Unaudited</u>	<u>Budgeted</u>	<u>Unaudited</u>	<u>Budgeted⁽¹⁾</u>	<u>Projected⁽²⁾</u>
REVENUES:										
Federal	\$2,299,952	\$1,525,669	\$2,318,990	\$1,988,651	\$1,691,987	\$1,698,498	\$2,359,128	\$2,885,441	\$6,815,305	\$7,143,860
State	23,428,691	17,379,584	22,392,420	18,694,842	23,796,955	18,286,900	23,325,500	19,011,380	26,887,665	26,355,440
Local	<u>9,564,023</u>	<u>12,340,982</u>	<u>11,547,729</u>	<u>13,600,328</u>	<u>12,700,404</u>	<u>13,662,428</u>	<u>12,256,660</u>	<u>13,825,057</u>	<u>12,683,154</u>	<u>12,788,085</u>
TOTAL REVENUES	35,292,666	31,246,235	36,259,139	34,283,821	38,189,346	33,647,826	37,941,288	35,721,878	46,386,124	46,287,385
EXPENDITURES:										
Academic Salaries	11,734,063	10,999,198	12,047,196	11,624,841	12,477,511	12,380,043	12,741,273	11,505,374	13,316,854	13,195,731
Classified Salaries	6,908,757	6,354,868	7,028,080	6,554,476	6,793,019	6,585,622	6,788,889	6,344,569	7,285,784	7,541,069
Employee Benefits	7,250,369	7,288,876	7,231,225	8,444,042	8,183,728	8,877,688	8,183,932	8,398,956	8,985,387	9,096,334
Supplies and Materials	1,310,076	863,417	1,372,571	1,059,878	1,475,224	861,172	1,790,941	785,012	1,934,973	2,130,489
Other Operating Expenditures and Services	6,984,939	3,415,084	6,167,187	4,083,302	7,079,524	3,579,137	6,005,997	3,315,949	6,518,011	7,487,326
Capital Outlay	<u>1,118,613</u>	<u>584,409</u>	<u>1,034,064</u>	<u>1,394,327</u>	<u>884,406</u>	<u>559,664</u>	<u>1,363,862</u>	<u>1,000,996</u>	<u>4,162,454</u>	<u>3,733,265</u>
TOTAL EXPENDITURES	35,306,817	29,505,852	34,880,323	33,160,866	36,893,412	32,843,326	36,874,894	31,350,856	42,203,463	43,184,213
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(14,151)	1,740,383	1,378,816	1,122,955	1,295,934	804,500	1,066,394	4,371,022	4,182,661	3,103,172
Other Financing Sources (Uses)	--	1,588,052	--	1,093,634	--	1,163,625	1,129,287	1,143,887	10,000	1,185,024
OTHER OUTGO	968,673	2,515,375	2,015,555	2,010,811	2,208,829	2,226,130	2,207,847	2,451,424	5,686,419	5,688,077
NET INCREASE (DECREASE) IN FUND BALANCES	(982,824)	813,060	(636,739)	205,778	(912,895)	(258,005)	(12,166)	3,063,485	(1,493,758)	(1,399,881)
BEGINNING FUND BALANCE	<u>5,981,422</u>	<u>5,981,422</u>	<u>6,794,482</u>	<u>6,794,482</u>	<u>7,000,260</u>	<u>7,000,260</u>	6,742,255	6,742,255	9,805,740	9,805,740
Prior Year Adjustments	--	--	--	--	--	--	--	--	--	--
ADJUSTED BEGINNING FUND BALANCE	<u>5,981,422</u>	<u>5,981,422</u>	<u>6,794,482</u>	<u>6,794,482</u>	<u>7,000,260</u>	<u>7,000,260</u>	<u>6,742,255</u>	<u>6,742,225</u>	<u>9,805,740</u>	<u>9,805,740</u>
ENDING FUND BALANCE	<u>\$4,998,598</u>	<u>\$6,794,482</u>	<u>\$6,157,743</u>	<u>\$7,000,260</u>	<u>\$6,087,366</u>	<u>\$6,742,255</u>	<u>\$6,730,089</u>	<u>\$9,805,740</u>	<u>\$8,311,982</u>	<u>\$8,405,859</u>

⁽¹⁾ Budgeted figures for fiscal years 2017-18 through 2021-22, and unaudited figures for fiscal years 2017-18 through 2020-21, are drawn from the District's CCFS-311 Reports filed with the Chancellor's Office. For audited statements of revenues, expenditures and changes in fund balances for the District's governmental funds for fiscal years 2016-17 through 2020-21, see "MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT — Comparative Financial Statements" herein.

⁽²⁾ Reflects the District's projected amounts for fiscal year 2021-22.

Source: Mendocino-Lake Community College District.

Comparative Financial Statements

Pursuant to applicable guidance from GASB, the District's financial statements present a comprehensive, entity-wide perspective of the District's assets, liabilities, and cash flows rather than the fund-group perspective previously required. The following table displays the District's revenues, expenses and changes in net assets for fiscal years 2016-17 through 2020-21.

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT Statement of Total Revenues and Expenditures and Changes in Net Assets Fiscal Years 2016-17 through 2020-21

	Audited Actuals <u>2016-17</u>	Audited Actuals <u>2017-18</u>	Audited Actuals <u>2018-19</u>	Audited Actuals <u>2019-20</u>	Audited Actuals <u>2020-21</u>
OPERATING REVENUES					
Tuition and fees (gross)	\$3,062,266	\$3,205,820	\$3,206,326	\$3,030,463	\$2,578,415
Less Scholarship discounts and allowances	1,757,522	(1,965,465)	(1,918,614)	(1,702,644)	(1,288,023)
Net tuition and fees	1,304,744	1,240,355	1,287,712	1,327,819	1,290,392
Grants and Contracts, non-capital:					
Federal	1,238,226	1,560,981	1,985,188	1,722,514	2,908,735
State	6,395,343	5,027,083	6,091,952	5,360,431	5,559,916
Local	317,044	3,797,994	2,897,183	3,731,170	385,886
Auxiliary enterprise sales and charges	<u>49,532</u>	<u>66,131</u>	<u>103,077</u>	<u>62,175</u>	<u>59,442</u>
TOTAL OPERATING REVENUES	9,304,889	11,692,544	12,365,112	12,204,109	10,204,371
OPERATING EXPENSES					
Salaries	16,941,163	17,862,235	18,750,137	19,442,699	18,516,592
Employee benefits	7,049,268	11,386,550	11,383,283	11,936,172	6,786,669
Payments to students	485,656	--	--	--	--
Supplies, materials and other operating expenses and services	5,149,766	6,742,372	10,300,966	8,979,036	9,222,304
Utilities	736,417	--	--	--	--
Depreciation and Amortization	<u>2,909,838</u>	<u>2,913,211</u>	<u>2,759,220</u>	<u>2,763,021</u>	<u>2,838,929</u>
TOTAL OPERATING EXPENSES	33,272,108	39,339,112	43,193,606	43,120,928	37,364,494
OPERATING INCOME (LOSS)	(23,967,219)	(27,646,568)	(30,828,494)	(30,916,819)	(27,160,123)
NON-OPERATING REVENUES (EXPENSES)					
State apportionments, noncapital	10,345,924	8,199,695	9,235,686	10,668,875	8,452,878
Education protection account revenues, noncapital	3,087,760	3,171,659	2,711,143	1,348,510	4,271,727
Local property taxes, noncapital	9,457,094	10,081,432	10,096,925	10,572,330	11,438,103
State taxes and other revenues, noncapital	731,447	1,854,622	1,537,960	1,383,479	1,217,110
Financial aid revenues	6,517,346	6,672,019	6,429,066	7,877,123	6,517,136
Financial aid expenses	(6,517,346)	(6,672,019)	(6,429,066)	(7,877,123)	(6,517,136)
Investment income	53,606	135,598	212,128	173,802	87,986
Interest expense	6,800	(4,189,136)	(4,458,318)	(4,769,115)	(4,996,978)
Other non-operating revenues	<u>683,244</u>	<u>2,402,460</u>	<u>5,243,238</u>	<u>5,374,127</u>	<u>702,228</u>
TOTAL NON-OPERATING REVENUES (EXPENDITURES)	24,359,075	21,656,330	24,578,762	24,752,008	21,173,054
Income before other revenues, expenses, gains or losses	391,856	(5,990,238)	(6,249,732)	(6,164,811)	(5,987,069)
State apportionments, capital	103,617	292,169	95,721	16,290	4,451
Local property taxes and revenues, capital	--	2,828,225	154,571	156,525	3,641,023
CHANGE IN NET POSITION	(3,752,914)	(2,869,844)	(5,999,440)	(5,991,996)	(2,341,595)
NET POSITION – BEGINNING OF YEAR	6,562,759	1,204,593	(9,366,733)	(16,299,953)	(22,291,949)
PRIOR PERIOD ADJUSTMENT	(1,605,252)	(7,701,482)	(933,780)	--	--
NET POSITION – END OF YEAR	<u>\$1,204,593</u>	<u>\$(9,366,733)</u>	<u>\$(16,299,953)</u>	<u>\$(22,291,949)</u>	<u>\$(24,633,544)</u>

Source: The District.

District Debt Structure

Long-Term Debt. A schedule of changes in general long-term debt for the year ended June 30, 2021, is shown below:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>
General obligation bonds				
General Obligation Bonds – Series B	\$32,056,120	\$1,337,442	\$89,893	\$33,303,669
2015 Refunding Bonds	53,577,281	1,641,184	915,000	54,303,465
Unamortized premium	<u>3,389,022</u>	<u>--</u>	<u>108,948</u>	<u>3,280,074</u>
Total long-term debt	89,022,423	89,022,423	1,113,841	90,887,208
Other long-term liabilities				
Capital lease	270,966	759,094	430,936	599,124
Compensated Absences	1,103,818	526,447	301,090	1,329,175
Total other long-term liabilities	<u>1,374,784</u>	<u>1,285,541</u>	<u>732,026</u>	<u>1,928,299</u>
Total long-term liabilities	<u>\$90,397,207</u>	<u>\$4,264,167</u>	<u>\$1,845,867</u>	<u>\$92,815,507</u>

Source: The District.

General Obligation Bonds. The District received authorization at an election held on November 7, 2006 (the “Authorization”) to issue not to exceed \$67,500,000 of general obligation bonds. On March 29, 2007, the District’s Election of 2006 General Obligation Bonds, Series A (the “2006 Series A Bonds”) were issued in the aggregate principal amount of \$30,000,000. On August 16, 2011, the District’s 2006 Series B Bonds were issued in the aggregate principal amount of \$37,499,792.10. On October 13, 2015, the District issued its 2015 Refunding Bonds in the aggregate principal amount of \$48,627,448.30, the proceeds of which were used to advance refund portions of the then-outstanding 2006 Series A Bonds and 2006 Series B Bonds. There are no 2006 Series A Bonds outstanding.

[REMAINDER OF PAGE LEFT BLANK]

The following table summarizes the total debt service requirements for the District's outstanding general obligation bonded debt:

<u>Period Ending (August 1)</u>	<u>Series B Bonds⁽¹⁾</u>	<u>2015 Refunding Bonds⁽¹⁾</u>	<u>The Bonds</u>	<u>Total Debt Service</u>
2022	\$1,198,941.26	\$2,115,475.00		
2023	1,308,941.26	2,207,225.00		
2024	1,428,941.26	2,301,475.00		
2025	1,548,941.26	2,402,725.00		
2026	1,683,941.26	2,505,225.00		
2027	1,825,791.26	2,613,475.00		
2028	1,975,791.26	2,721,725.00		
2029	2,141,791.26	2,839,475.00		
2030	2,308,591.26	2,965,725.00		
2031	2,495,031.26	3,089,475.00		
2032	3,629,431.26	520,000.00		
2033	3,779,431.26	720,000.00		
2034	3,929,431.26	935,000.00		
2035	1,729,431.26	3,525,000.00		
2036	7,629,431.26	--		
2037	1,342,981.26	4,755,000.00		
2038	1,342,981.26	5,215,000.00		
2039	6,122,981.26	920,000.00		
2040	9,519,543.76	--		
2041	10,065,718.76	--		
2042	--	8,670,000.00		
2043	--	9,275,000.00		
2044	--	9,915,000.00		
2045	--	10,590,000.00		
2046	--	11,305,844.50		
2047	4,542,702.75	7,518,215.00		
2048	4,772,511.55	8,085,014.45		
2049	5,019,757.65	8,686,337.90		
2050	5,267,940.15	9,323,991.80		
2051	<u>5,545,000.00</u>	<u>9,995,000.00</u>		
Total	<u>\$92,155,977.30</u>	<u>\$135,716,403.65</u>		

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

Technology Network Loan. The following table summarizes the annual debt service requirements to maturity on the 2021 Information Technology network upgrade loan obligation of the District.

<u>Fiscal Year</u>	<u>Total</u>
2022	\$162,048
2023	162,049
2024	162,048
2025	<u>162,049</u>
Total	<u>\$648,194</u>

Source: *The District.*

TAX MATTERS

Series A Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series A 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. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series A Bonds is exempt from State personal income tax.

The difference between the issue price of a Series A Bond (the first price at which a substantial amount of a maturity is to be sold to the public) and the state redemption price at maturity with respect to such Series A Bond (to the extent that 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 Series A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Series A Bond Owner will increase the Series A Bond Owner's basis in the applicable Series A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Series A Bond is excluded from 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. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the Series A Bonds is exempt from State 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 Series A 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 comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series A Bonds to assure that interest (and original issue discount) on the Series A 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 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series A Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Series A Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Series A 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 Series A 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 Series A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series A Bond to the Owner. Purchasers of the Series A 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 Series A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series A Bonds might be affected as a result of such an audit of the Series A 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 Series A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES A 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 SERIES A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES A 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 SERIES A 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 Resolution and the Tax Certificate relating to the Series A 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 Series A 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 Series A Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Series A Bonds and the accrual or receipt of interest (and original issue discount) on the Series A 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 Series A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series A Bonds.

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

Series B Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Series B Bonds is not excluded from gross

income for federal income tax purposes under Section 103 of the Code but is exempt from State personal income tax.

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

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

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

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

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

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

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

Possession of Tax Revenues; Remedies. Mendocino 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 Mendocino County’s pooled investment fund, as described in “THE BONDS – Application and Investment of Bond Proceeds,” herein and “APPENDIX F – MENDOCINO COUNTY TREASURY POOL” attached hereto. If Mendocino County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if Mendocino 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.

Opinions of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed forms of the approving opinions of Bond Counsel attached hereto as APPENDIX A are 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

Legality for Investment in California

Under provisions of the 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 Government Code, are eligible for security for deposits of public moneys in the State.

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District 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 2021-22 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 contained in the Annual Reports or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. In the past five years, the District has filed in a timely manner the annual reports or notices of listed events as required pursuant to its prior continuing disclosure undertakings.

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 effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-

exempt obligations were issued. 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.

Escrow Verification

Upon delivery of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter (defined herein) relating to (a) the adequacy of the moneys in the Escrow Fund to pay the redemption price of and interest on the Refunded Bonds and (b) the computations of yield of the Series A Bonds and the Federal Securities in the Escrow Fund which support Bond Counsel's opinion that the interest on the Series A Bonds is excluded from gross income for federal income tax purposes.

Legal Opinions

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

MISCELLANEOUS

Rating

Moody's Investors Service ("Moody's") has assigned a rating of "Aa3" to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

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

Financial Statements

The District's audited financial statements with required supplemental information for the year ended June 30, 2021, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 3, 2021 of CWDL (the "Auditor"),

are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix B 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.

Underwriting

The Bonds are being purchased by Piper Sandler & Co. (the “Underwriter”). The Underwriter has agreed, pursuant to a purchase contract relating to the Bonds, by and between the District and the Underwriter (the “Purchase Contract”), to purchase all of the Bonds.

The Underwriter will purchase the Series A Bonds for a purchase price of \$_____ (which is equal to the initial principal amount of the Series A Bonds of \$_____, plus original issue premium of \$_____, and less the Underwriter’s discount of \$_____).

The Underwriter will purchase the Series B Bonds for a purchase price of \$_____ (which is equal to the initial principal amount of the Series B Bonds of \$_____, less the Underwriter’s discount of \$_____).

The Purchase Contract for the Bonds provide that the Underwriter will purchase all of the applicable Bonds if any are purchased, the obligations to make such purchases 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 pages 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.

Underwriter Disclosures. The Underwriter has provided the following information for inclusion in this Official Statement:

The Underwriter has entered into a distribution agreement (the “Schwab Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Additional Information

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

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.

**MENDOCINO-LAKE COMMUNITY COLLEGE
DISTRICT**

By: _____
Eileen Cichocki
Assistant Superintendent/Vice President of
Administrative Services

APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL FOR THE BONDS

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

_____, 2022

Board of Trustees
Mendocino-Lake Community College District

Members of the Board:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Mendocino-Lake Community College District (Mendocino and Lake Counties, California) 2022 General Obligation Refunding Bonds, Series A (Federally Tax-Exempt) (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 Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and a resolution adopted on February 9, 2022 (the “Resolution”) of the Board of Trustees of the Mendocino-Lake Community College District (the “District”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest 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.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds (to the extent that 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 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 is exempt from State of California personal income tax.

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 Resolution 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 by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

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

_____, 2022

Board of Trustees
Mendocino-Lake Community College District

Members of the Board:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Mendocino-Lake Community College District (Mendocino and Lake Counties, California) 2022 General Obligation Refunding Bonds, Series B (Federally Taxable) (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and a resolution adopted on February 9, 2022 (the “Resolution”) of the Board of Trustees of the Mendocino-Lake Community College District (the “District”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of ad valorem property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”).
4. Interest on the Bonds is exempt from State of California personal income tax.
5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner’s basis in the applicable Bond.
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 the owner of the Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner’s basis in the applicable Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the

principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as expressly set forth in paragraphs (3), (4), (5) and (6), we express no opinion regarding any tax consequences with respect to the Bonds.

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

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

Respectfully submitted,

APPENDIX B

THE DISTRICT'S 2020-21 AUDITED FINANCIAL STATEMENTS

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Mendocino-Lake Community College District (the “District”) in connection with the issuance of \$ _____ of the District’s 2022 General Obligation Refunding Bonds, Series A and \$ _____ of the District’s 2022 General Obligation Refunding Bonds, Series B (collectively, the “Bonds”). The Bonds are being issued pursuant to a resolution of the District dated February 9, 2022 (the “Resolution”). The District covenants and agrees as follows:

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

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

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

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

“Dissemination Agent” shall mean initially 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.

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

“Holders” shall mean the registered owners of the Bonds.

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

“Official Statement” shall mean the Official Statement dated as of _____, 2022 and relating to the Bonds.

“Participating Underwriter” shall mean Piper Sandler & Co. or any of the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2021-22 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 thirty (30) days (nor more than sixty (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 fifteen (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 a timely manner 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 to the Repository.

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

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

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

(a) State funding received by the District for the last completed fiscal year;

- (b) FTES of the District for the last completed fiscal year;
- (c) Outstanding District indebtedness;
- (d) Tax delinquencies, to the extent the Counties are no longer on the Teeter Plan;
- (e) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the then-current fiscal year; and
- (f) Assessed Valuation of taxable property within the District for the current fiscal year;

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

(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 Sections 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 fifteen (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 Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Certificate holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

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 the extent permitted by law, 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 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.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Dated: _____, 2022

MENDOCINO-LAKE COMMUNITY COLLEGE
DISTRICT

By: _____
Eileen Cichocki

Assistant Superintendent/Vice President of
Administrative Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: \$ _____ of 2022 General Obligation Refunding Bonds, Series A
(Federally Tax-Exempt)
\$ _____ of 2022 General Obligation Refunding Bonds, Series B
(Federally Taxable)

Date of Issuance: _____, 2022

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: _____

MENDOCINO-LAKE COMMUNITY COLLEGE
DISTRICT

By _____ [form only; no signature required]

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF UKIAH AND MENDOCINO AND LAKE COUNTIES

The following information regarding the City of Ukiah (the “City”), Mendocino County (the “County”) and Lake County (collectively, the “Counties”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Counties. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.

General

The City of Ukiah. The City is located in Mendocino County and is the largest city in the County. It is a scenic two hour drive north of San Francisco. The City is located in the Ukiah Valley, covering an area of 4.7 square miles, with less than 2% of that being water. The City is surrounded by more than 20 organic vineyards, with grapes and wine being a major economic resource. The City was incorporated in 1876. The City operates under a council-manager form of government with a five-member city council, each elected at large and which appoint the mayor.

Mendocino County. The County is located along the State of California’s (the “State”) northern coastline. Sonoma, Lake, Glenn, Tehama, Trinity and Humboldt Counties all border the County on its inland side. The County encompasses an area of over two million acres, which is approximately 3,500 square miles. Coastal highways 1 and 101, running through the center of the County, are important transportation routes. Smaller country roads connect the County’s five distinct regions, which are the Anderson Valley to the south, South Mendocino coast, North Mendocino coast, Northern Mendocino County and the Russian River Valley to the east. The County is one of California’s original 27 counties, created in 1850 by the State Legislature. The County seat is Ukiah.

Lake County. Lake County is located in the northern part of the State and is surrounded by Sonoma and Mendocino Counties to the west, Glenn, Colusa and Yolo Counties to the east and Napa County to the south. Lake County encompasses an area of 1,329 square miles, of which 5.5% is water. Lake County is named after Clear Lake, the defining geographic feature of the region. Clear Lake is believed to be the oldest lake in North America. Lake County was formed in 1861 and the county seat is Lakeport.

[REMAINDER OF PAGE LEFT BLANK]

Population

The following table below shows ten years of historical population figures for the City, the Counties and the State.

**POPULATION ESTIMATES
2012 through 2021
City of Ukiah, Mendocino County, Lake County and State of California**

<u>Year⁽¹⁾</u>	<u>City of Ukiah</u>	<u>Mendocino County</u>	<u>Lake County</u>	<u>State of California</u>
2012	15,947	87,696	64,829	37,924,661
2013	15,984	88,210	64,759	38,269,864
2014	15,919	88,056	64,891	38,556,731
2015	15,899	88,102	64,958	38,865,532
2016	15,923	88,442	64,550	39,103,587
2017	15,937	88,646	64,451	39,352,398
2018	16,081	88,542	64,599	39,519,535
2019	15,942	88,205	64,187	39,605,361
2020	15,951	87,708	64,005	39,648,938
2021	15,526	86,669	63,940	39,466,855

⁽¹⁾ As of January 1.

Source: 2012-21 (2010 Demographic Research Unit Benchmark): California Department of Finance.

Personal Income

The following table summarizes 10 years of per capita personal income for the Counties, State and United States from 2010 through 2019.

**PER CAPITA PERSONAL INCOME⁽¹⁾
2010 through 2019
Mendocino County, Lake County State of California, and United States**

<u>Year</u>	<u>Mendocino County</u>	<u>Lake County</u>	<u>State of California</u>	<u>United States</u>
2010	\$37,729	\$30,885	\$43,636	\$40,547
2011	38,949	32,052	46,175	42,739
2012	39,186	33,119	48,813	44,605
2013	40,302	34,107	49,303	44,860
2014	43,106	36,074	52,363	47,071
2015	45,345	38,227	55,833	49,019
2016	46,816	39,652	58,048	50,015
2017	47,840	40,911	60,549	52,118
2018	50,478	42,632	63,720	54,606
2019	52,976	44,259	66,619	56,490

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

Commercial Activity

Summaries of annual taxable sales for the City and the Counties from 2016 through 2020 are shown in the following tables.

ANNUAL TAXABLE SALES 2016 through 2020 City of Ukiah (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2016	478	\$415,019	775	\$467,938
2017	469	413,944	774	465,072
2018	457	432,223	803	485,110
2019 ⁽¹⁾	455	491,186	807	548,622
2020 ⁽¹⁾	461	520,425	814	582,557

⁽¹⁾ Preliminary; subject to change.

Source: *Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2016-20.*

ANNUAL TAXABLE SALES 2016 through 2020 Mendocino County (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2016	2,484	\$1,075,855	4,089	\$1,425,362
2017	2,529	1,111,880	4,460	1,467,642
2018	2,492	1,150,832	4,796	1,490,850
2019 ⁽¹⁾	2,472	1,255,001	5,046	1,614,351
2020 ⁽¹⁾	2,567	1,350,609	5,232	1,728,692

⁽¹⁾ Preliminary; subject to change.

Source: *Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2016-20.*

ANNUAL TAXABLE SALES 2016 through 2020 Lake County (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2016	1,186	\$444,798	1,915	\$593,013
2017	1,211	465,185	1,964	618,159
2018	1,232	486,298	2,076	614,134
2019 ⁽¹⁾	1,232	517,894	2,128	653,788
2020 ⁽¹⁾	1,276	579,937	2,294	738,481

⁽¹⁾ Preliminary; subject to change.

Source: *Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2016-20.*

Employment

The following table summarizes the labor force, employment and unemployment figures for the City, the Counties and the State from 2016 through 2020.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
2016 through 2020
City of Ukiah, Mendocino County, Lake 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>
2016	City of Ukiah	7,150	6,580	570	7.9
	Mendocino County	39,620	37,520	2,100	5.3
	Lake County	29,070	27,110	1,960	6.7
	State of California	19,012,000	17,965,400	1,046,600	5.5
2017	City of Ukiah	7,280	6,830	450	6.2
	Mendocino County	39,560	37,760	1,800	4.5
	Lake County	29,320	27,620	1,710	5.8
	State of California	19,173,800	18,246,800	927,000	4.8
2018	City of Ukiah	7,400	7,020	380	5.1
	Mendocino County	39,460	37,870	1,590	4.0
	Lake County	29,070	27,530	1,550	5.3
	State of California	19,263,900	18,442,400	821,500	4.3
2019	City of Ukiah	7,370	6,970	400	5.4
	Mendocino County	38,650	37,090	1,560	4.0
	Lake County	29,010	27,510	1,500	5.2
	State of California	19,353,700	18,550,500	803,200	4.2
2020	City of Ukiah	7,180	6,340	840	11.7
	Mendocino County	37,020	33,720	3,290	8.9
	Lake County	28,270	25,570	2,700	9.6
	State of California	18,821,200	16,913,100	1,908,100	10.1

Note: 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 2020 Benchmark.

Industry

The following tables summarize the average annual industry employment in the Counties from 2016 through 2020.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES 2016 through 2020 Mendocino County

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Farm	1,360	1,380	1,450	1,460	1,410
Mining, Logging and Construction	1,370	1,540	1,690	1,690	1,590
Manufacturing	2,550	2,540	2,470	2,430	2,360
Wholesale Trade	740	840	810	740	700
Retail Trade	4,730	4,760	4,820	4,810	4,480
Transportation, Warehousing and Utilities	710	710	730	720	840
Information	250	230	230	210	170
Financial Activities	1,050	1,060	1,070	1,050	980
Professional and Business Services	1,670	1,670	1,790	1,860	1,800
Education and Health Services	5,580	5,750	5,780	5,840	5,530
Leisure and Hospitality	4,410	4,410	4,490	4,360	3,200
Other Services	790	810	810	750	700
Government	<u>7,240</u>	<u>7,240</u>	<u>7,170</u>	<u>7,180</u>	<u>6,670</u>
Total All Industries	32,440	32,950	33,290	33,100	30,390

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

Source: State of California, Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force – by Annual Average. March 2020 Benchmark.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES 2016 through 2020 Lake County

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Farm	1,080	1,040	980	1,030	910
Mining, Logging and Construction	630	720	800	860	820
Manufacturing	340	330	360	370	360
Wholesale Trade	120	100	90	90	90
Retail Trade	2,230	2,240	2,250	2,280	2,290
Transportation, Warehousing and Utilities	510	550	540	570	520
Information	120	120	100	100	90
Financial Activities	380	390	370	360	320
Professional and Business Services	570	620	630	640	660
Education and Health Services	4,400	4,590	4,630	4,690	4,450
Leisure and Hospitality	1,120	1,160	1,170	1,190	1,010
Other Services	520	550	550	540	530
Government	<u>4,320</u>	<u>4,380</u>	<u>4,330</u>	<u>4,320</u>	<u>3,930</u>
Total All Industries	16,330	16,760	16,780	17,030	15,980

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

Source: State of California, Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force – by Annual Average. March 2020 Benchmark.

Principal Employers

The following tables list the principal employers located in the City and the Counties.

PRINCIPAL EMPLOYERS As of June 30, 2020 City of Ukiah

<u>Employer Name</u>	<u>Employees</u>
Adventist Health Ukiah Valley	500-999
City of Ukiah	100-249
Costco Wholesale	100-249
County of Mendocino	1000-1250
Dhama Realm Buddhist Association	100-249
Mendocino Community Health	250-499
Mendocino County Office of Education	100-249
Pacific Coast Farm Credit	100-249
Ukiah Valley Medical Center	500-999
Walmart	100-249

Source: "Comprehensive Annual Financial Report" of the City of Ukiah, California, for Fiscal Year Ended June 30, 2020.

PRINCIPAL EMPLOYERS As of June 30, 2020 Mendocino County

<u>Employer Name</u>	<u>Employees</u>
County of Mendocino	1000-1500
Adventist Health Ukiah Valley/UVMC	500-999
Mendocino Redwood Co., LLC	500-999
Ukiah Unified School District	500-999
Fetzer Vineyards	250-499
Frank R Howard Memorial Hospital	250-499
Mendocino Coast District Hospital	250-499
Mendocino Community Health	250-499
California Department of Forestry/Cal Fire	100-249
City of Ukiah	100-249
Costco Wholesale	100-249
Coyote Valley Tribe of Pomo Indians	100-249
Mendocino College	100-249
Safeway	100-249
Walmart Stores	100-249

Source: "Comprehensive Annual Financial Report" of Mendocino County, California, for Fiscal Year Ended June 30, 2020.

PRINCIPAL EMPLOYERS
As of June 30, 2020
Lake County

<u>Employer Name</u>	<u>Employees</u>
County of Lake	1,007
Adventist Health	700
St. Helena Hospital Clearlake	634
Konocti Unified School District	441
Sutter Lakeside Hospital	361
Calpine Corp.	276
Safeway	253
Kelseyville Unified School District	214
Walmart	198
Twin Pine Corp.	197

Source: "Comprehensive Annual Financial Report" of Lake County, California, for Fiscal Year Ended June 30, 2020.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2016 through 2020 for the City and the Counties are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2016 through 2020
City of Ukiah
(Dollars in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential	\$61,268	\$38,353	\$30,983	\$22,291	\$6,859
Non-Residential	<u>10,922</u>	<u>11,761</u>	<u>18,629</u>	<u>7,125</u>	<u>3,286</u>
Total	\$72,190	\$50,114	\$49,612	\$29,416	\$10,145
Units					
Single Family	242	144	95	71	91
Multiple Family	<u>2</u>	<u>0</u>	<u>26</u>	<u>0</u>	<u>6</u>
Total	244	144	121	71	97

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2016 through 2020
Mendocino County
(Dollars in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential	\$30,551	\$25,246	\$39,303	\$33,022	\$33,245
Non-Residential	<u>14,349</u>	<u>20,280</u>	<u>31,746</u>	<u>32,222</u>	<u>50,661</u>
Total	\$44,900	\$45,526	\$71,049	\$65,244	\$83,906
Units					
Single Family	70	91	157	137	102
Multiple Family	<u>48</u>	<u>2</u>	<u>0</u>	<u>8</u>	<u>240</u>
Total	118	93	157	145	342

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2016 through 2020
Lake County
(Dollars in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential	\$11,481	\$4,716	\$6,122	\$2,682	\$6,859
Non-Residential	<u>2,046</u>	<u>4,636</u>	<u>8,432</u>	<u>1,199</u>	<u>3,286</u>
Total	\$13,527	\$9,352	\$14,554	\$3,881	\$10,145
Units					
Single Family	13	16	25	11	9
Multiple Family	<u>48</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>240</u>
Total	61	16	25	11	249

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

APPENDIX E
ACCRETED VALUES TABLE

APPENDIX F

MENDOCINO COUNTY TREASURY POOL

The following information concerning the Mendocino County Treasury Pool (the “Treasury Pool”) has been provided by the Treasurer, and has not been confirmed or verified by the District or the Underwriter. The District and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current Mendocino County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of Mendocino County’s Board of Supervisors may change Mendocino County’s investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District 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 Treasurer Pool may be obtained from the Treasurer at <https://www.co.mendocino.ca.us/tax/>; however, the information presented on such website is not incorporated herein by any reference.