

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest 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. 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.

\$437,965,000

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
(San Diego County, California)
2019 General Obligation Refunding Bonds, Series A
(Federally Taxable)**

\$255,470,000

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
(San Diego County, California)
2019 General Obligation Refunding Bonds, Series B
(Federally Taxable – 2023 Crossover)**

Dated: Date of Delivery

Due: August 1, as shown on inside front cover

This cover page contains information for general 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 and not otherwise defined shall have the meanings set forth herein.

The San Diego Community College District (San Diego County, California) 2019 General Obligation Refunding Bonds, Series A (Federally Taxable) (the "Series A Bonds") in the aggregate principal amount of \$437,965,000 are being issued by the San Diego Community College District (the "District") to (i) advance refund all or a portion of the District's outstanding 2011 General Obligation Refunding Bonds, 2012 General Obligation Refunding Bonds, General Obligation Bonds, Election of 2002, Series 2013, and General Obligation Bonds, Election of 2006, Series 2013 and (ii) pay the costs of issuance of the Series A Bonds.

The San Diego Community College District (San Diego County, California) 2019 General Obligation Refunding Bonds, Series B (Federally Taxable – 2023 Crossover) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds") in the aggregate principal amount of \$255,470,000 are being issued by the District to (i) advance refund, on a crossover basis, a portion of the District's outstanding General Obligation Bonds, Election of 2006, Series 2013, and (ii) pay the costs of issuance of the Series B Bonds.

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

Prior to the Crossover Date (as defined herein), the Series B Bonds shall be secured by and payable solely from proceeds of the Series B Bonds deposited into the sub-account of the Escrow Fund (defined herein) therefor. From and after the Crossover Date, the Series B Bonds shall, without any further action on the part of the District or the Owners or Beneficial Owners of the Bonds, constitute general obligations of the District payable solely from *ad valorem* property taxes. From and after the Crossover Date, the Board of Supervisors of San Diego County shall be empowered and obligated to levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series B 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 (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020. The Bonds are issuable as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by Treasurer-Tax Collector of the County, as paying agent, bond registrar, authentication agent and transfer agent (collectively, the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their stated maturity dates as described herein.

MATURITY SCHEDULES
(see inside front cover pages)

The Bonds are offered when, as and if issued, and received by the Underwriters subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain matters will be passed on for the Underwriters by Nixon Peabody LLP, San Francisco, California. 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 October 16, 2019.

RBC Capital Markets

Citigroup

MATURITY SCHEDULES

\$437,965,000

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
(San Diego County, California)**

2019 General Obligation Refunding Bonds, Series A (Federally Taxable)

Base CUSIP[†]: 797272

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
2020	\$10,415,000	1.935%	1.935%	QK0
2021	6,590,000	1.935	1.935	QL8
2022	9,330,000	1.936	1.936	QM6
2023	32,335,000	1.996	1.996	QN4
2024	24,180,000	2.046	2.046	QP9
2025	29,040,000	2.199	2.199	QQ7
2026	31,280,000	2.299	2.299	QR5
2027	32,025,000	2.407	2.407	QS3
2028	36,190,000	2.457	2.457	QT1
2029	36,960,000	2.507	2.507	QU8
2030	37,835,000	2.637	2.637	QV6
2031	14,480,000	2.717	2.717	QW4
2032	14,110,000	2.807	2.807	QX2

\$123,195,000 – 3.336% Term Bonds due August 1, 2043 - Yield: 3.336%; CUSIP[†]: QY0

\$255,470,000

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
(San Diego County, California)**

2019 General Obligation Refunding Bonds, Series B (Federally Taxable – 2023 Crossover)

Base CUSIP[†]: 797272

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
2027	\$630,000	2.407%	2.407%	QZ7
2028	2,100,000	2.457	2.457	RA1
2029	3,680,000	2.507	2.507	RB9
2030	5,385,000	2.637	2.637	RC7
2031	7,215,000	2.717	2.717	RD5
2032	9,195,000	2.807	2.807	RE3
2033	26,855,000	2.877	2.877	RF0
2034	25,235,000	2.977	2.977	RH6

\$175,175,000 – 3.316% Term Bonds due August 1, 2041 - Yield: 3.316%; CUSIP[†]: RG8

[†] 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. None of the Underwriters, the Municipal Advisor or 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, the Municipal Advisor or the Underwriters 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 by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. 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.

Certain information set forth herein has been obtained from sources outside of the District which are believed to be reliable, but such information 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 Underwriters have provided the following sentence for inclusion in this Official Statement:

“The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or the completeness of such information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

Board of Trustees

Maria Nieto Senour, Ph.D., *President – District A*
Sean Elo, J.D., *Trustee – District E*
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Dr. Lynn Ceresino Neault, Ed.D., *Vice Chancellor, Student Services*
Dr. Stephanie Bulger, Ph.D., *Vice Chancellor, Instructional Services*
Will Surbrook, *Vice Chancellor, Human Resources*

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Bond Counsel and Disclosure Counsel

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

Municipal Advisor

KNN Public Finance
Oakland, California

Paying Agent

San Diego County Treasurer-Tax Collector
San Diego, California

Escrow Agent

U.S. Bank National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

TABLE OF CONTENTS

Page

INTRODUCTION 1

 CHANGES SINCE THE PRELIMINARY OFFICIAL STATEMENT 1

 THE DISTRICT 1

 SECURITY AND SOURCES OF PAYMENT FOR THE BONDS 2

 PURPOSE OF ISSUE 2

 DESCRIPTION OF THE BONDS 3

 TAX MATTERS 4

 AUTHORITY FOR ISSUANCE OF THE BONDS 4

 OFFERING AND DELIVERY OF THE BONDS 4

 BOND OWNER’S RISKS 4

 CONTINUING DISCLOSURE 5

 PROFESSIONALS INVOLVED IN THE OFFERING 5

 FORWARD LOOKING STATEMENTS 5

 OTHER INFORMATION 5

THE BONDS 6

 AUTHORITY FOR ISSUANCE 6

 SECURITY AND SOURCES OF PAYMENT 6

 STATUTORY LIEN 7

 GENERAL PROVISIONS 8

 ANNUAL DEBT SERVICE 9

 REDEMPTION 9

 BOOK-ENTRY ONLY SYSTEM 13

 DISCONTINUATION OF BOOK-ENTRY ONLY SYSTEM; PAYMENT TO BENEFICIAL OWNERS 15

 DEFEASANCE 15

REFUNDING PLAN 16

ESTIMATED SOURCES AND USES OF FUNDS 21

TAX BASE FOR REPAYMENT OF BONDS 22

AD VALOREM PROPERTY TAXATION 22

 ASSESSED VALUATIONS 23

 ASSESSED VALUATION BY JURISDICTION 25

 ASSESSED VALUATION AND PARCELS BY LAND USE 26

 ASSESSED VALUATION OF SINGLE FAMILY HOMES 27

 ALTERNATIVE METHOD OF TAX APPORTIONMENT - TEETER PLAN 27

 PRINCIPAL TAXPAYERS 28

 TAX RATES 29

 STATEMENT OF DIRECT AND OVERLAPPING DEBT 29

**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING
DISTRICT REVENUES AND APPROPRIATIONS 31**

 ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION 31

 LEGISLATION IMPLEMENTING ARTICLE XIII A 32

 STATE-ASSESSED UTILITY PROPERTY 33

 PROPOSITION 50 AND PROPOSITION 171 33

 ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION 34

 ARTICLE XIII C AND ARTICLE XIII D OF THE CALIFORNIA CONSTITUTION 35

 PROPOSITION 26 35

 PROPOSITIONS 98 AND 111 36

 PROPOSITION 39 37

 JARVIS VS. CONNELL 38

 PROPOSITION 1A AND PROPOSITION 22 38

 PROPOSITION 55 39

 PROPOSITION 2 40

 PROPOSITION 51 41

 FUTURE INITIATIVES 41

TABLE OF CONTENTS (cont'd)

	<u>Page</u>
FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA.....	42
MAJOR REVENUES	42
BUDGET PROCEDURES	45
MINIMUM FUNDING GUARANTEES FOR CALIFORNIA COMMUNITY COLLEGE DISTRICTS UNDER PROPOSITIONS 98 AND 111	46
STATE ASSISTANCE.....	47
SAN DIEGO COMMUNITY COLLEGE DISTRICT.....	49
INTRODUCTION	49
ADMINISTRATION	49
LABOR RELATIONS	50
SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION	50
RETIREMENT PROGRAMS	51
OTHER POST-EMPLOYMENT BENEFITS	58
SOCIAL SECURITY ALTERNATIVE PLAN	59
RISK MANAGEMENT	60
ACCOUNTING PRACTICES.....	60
GENERAL FUND BUDGETING	60
COMPARATIVE FINANCIAL STATEMENTS.....	62
DISTRICT DEBT STRUCTURE	64
TAX MATTERS.....	66
LIMITATION ON REMEDIES; BANKRUPTCY	67
GENERAL	67
STATUTORY LIEN.....	67
SPECIAL REVENUES	67
POSSESSION OF TAX REVENUES; REMEDIES.....	68
OPINION OF BOND COUNSEL QUALIFIED BY REFERENCE TO BANKRUPTCY, INSOLVENCY AND OTHER LAWS RELATING TO OR AFFECTING CREDITOR’S RIGHTS	68
LEGAL MATTERS	68
CONTINUING DISCLOSURE	68
LEGALITY FOR INVESTMENT IN CALIFORNIA	69
ABSENCE OF MATERIAL LITIGATION	69
INFORMATION REPORTING REQUIREMENTS	69
LEGAL OPINION	69
ESCROW VERIFICATION	69
FINANCIAL STATEMENTS	70
RATINGS.....	70
UNDERWRITING	70
ADDITIONAL INFORMATION.....	72
APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT	A-1
APPENDIX B – FORMS OF OPINION OF BOND COUNSEL	B-1
APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE	C-1
APPENDIX D – GENERAL ECONOMIC AND DEMOGRAPHIC DATA FOR THE CITY OF SAN DIEGO AND SAN DIEGO COUNTY	D-1
APPENDIX E – SAN DIEGO COUNTY INVESTMENT POOL.....	E-1

\$437,965,000

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
(San Diego County, California)
2019 General Obligation Refunding Bonds, Series A
(Federally Taxable)**

\$255,470,000

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
(San Diego County, California)
2019 General Obligation Refunding Bonds, Series B
(Federally Taxable – 2023 Crossover)**

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the San Diego Community College District (San Diego County, California) 2019 General Obligation Refunding Bonds, Series A (Federally Taxable) (the “Series A Bonds”) and the San Diego Community College District (San Diego County, California) 2019 General Obligation Refunding Bonds, Series B (Federally Taxable – 2023 Crossover) (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 page 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.

Changes Since the Preliminary Official Statement

Since the publication of the Preliminary Official Statement, the Treasurer-Tax Collector of the County (defined below) released the San Diego County Investment Pool Report for August 2019 (the “August 2019 Report”). The report presented under “APPENDIX E –SAN DIEGO COUNTY INVESTMENT POOL REPORT” herein has been replaced with the August 2019 Report.

The District

San Diego City College, now part of San Diego Community College District (the “District”), was founded in 1914. In 1964, San Diego Mesa College was established, followed by San Diego Miramar College in 1969. Originally, the colleges were part of the San Diego Unified School District. In 1972, the voters approved separating the San Diego Community College District from the San Diego Unified School District. The District is located within the metropolitan area of the City of San Diego. The District consists of three colleges: San Diego City College, Mesa College and Miramar College, each of which is fully accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges (“ACCJC”), and San Diego Continuing Education, which operates at seven campuses throughout the city and is accredited by the Accrediting Commission for Schools, Western Association of Schools and Colleges (“ACS”). The mission of the District is to provide accessible, high quality learning experiences, and undergraduate education at an affordable price to meet the educational needs of the City of San Diego community. The District offers a comprehensive curriculum responding to needs for university transfer, technical, vocational, military and general education, remedial and developmental, special education, human development, honors, and ethnic and linguistic diversity.

The District has a 2019-20 total assessed valuation of \$199,457,029,950 and has projected its 2019-20 full-time equivalent student (“FTES”) count at 37,800 students. The District is the second

largest community college district in California and the sixth largest community college nationally, based on headcount.

The governing board of the District is the Board of Trustees (the “Board”). The Board consists of five voting members elected by the voters of the District (the “Trustees”). The Trustees serve four-year terms. Elections for Trustee positions to the Board are held every two years, alternating between two and three positions. Three students serve a one-year term filling the Student Trustee position on a rotating basis. The Student Trustee has an advisory vote on the Board. The management and policies of the District are administered by a Board-appointed Chancellor. Dr. Constance M. Carroll is the District’s Chancellor.

For more information regarding the District’s tax base, see “TAX BASE FOR REPAYMENT OF BONDS” herein. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA” and “SAN DIEGO COMMUNITY COLLEGE DISTRICT” herein for more general information regarding the District and its finances. The District’s audited financial statement for fiscal year ended June 30, 2018 is attached hereto as APPENDIX A and should be read in its entirety.

Security and Sources of Payment for the Bonds

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

Series B Bonds. Prior to the Crossover Date (defined herein), the Series B Bonds will be secured by and payable solely from amounts on deposit in the Series B Bonds Escrow Fund Sub-Account (defined herein). From and after the Crossover Date, the Series B Bonds shall, without further action on the part of the District or the Owners or Beneficial Owners thereof (as defined herein), constitute general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. From and after the Crossover Date, the Boards of Supervisors of the County (shall be empowered and obligated to levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series B Bonds when due.

See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS” herein.

Purpose of Issue

Series A Bonds. The proceeds of the Series A Bonds will be used to (i) advance refund all or a portion of the District’s outstanding 2011 General Obligation Refunding Bonds (the “2011 Refunding Bonds”), 2012 General Obligation Refunding Bonds (the “2012 Refunding Bonds”), General Obligation Bonds, Election of 2002, Series 2013 (the “2002 Series 2013 Bonds”) and General Obligation Bonds, Election of 2006, Series 2013 issued as current interest bonds (the “2006 Series 2013 Current Interest Bonds”) and (ii) pay the costs of issuance of the Series A Bonds. The 2011 Refunding Bonds, 2012 Refunding Bonds, 2002 Series 2013 Bonds and 2006 Series 2013 Current Interest Bonds to be refunded with proceeds of the Series A Bonds are referred to herein as the “Refunded 2011 Refunding Bonds”, “Refunded 2012 Refunding Bonds”, “Refunded 2002 Series 2013 Bonds”, and “Refunded 2006 Series 2013 Current Interest Bonds” respectively.

Series B Bonds. The proceeds of the Series B Bonds will be used to (i) advance refund, on a crossover basis, a portion of the District’s outstanding General Obligation Bonds, Election of 2006, Series 2013 issued as capital appreciation bonds and convertible capital appreciation bonds (the “2006 Series 2013 Capital Appreciation Bonds” and “2006 Series 2013 Convertible Capital Appreciation Bonds,” respectively, and, together with the 2011 Refunding Bonds, 2012 Refunding Bonds, 2002 Series 2013 Bonds, and 2006 Series 2013 Current Interest Bonds, the “Prior Bonds”), and (ii) pay the costs of issuance of the Series B Bonds. The 2006 Series 2013 Capital Appreciation Bonds and 2006 Series 2013 Convertible Capital Appreciation Bonds to be refunded with proceeds of the Series B Bonds are referred to herein as the “Refunded 2006 Series 2013 Capital Appreciation Bonds” and “Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds” respectively. The Refunded 2011 Refunding Bonds, Refunded 2012 Refunding Bonds, Refunded 2002 Series 2013 Bonds, Refunded 2006 Series 2013 Current Interest Bonds, Refunded 2006 Series 2013 Capital Appreciation Bonds, and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds are collectively referred to herein as the “Refunded Bonds.”

Concurrently with the issuance of the Bonds, the District will enter into an escrow agreement (the “Escrow Agreement”) with U.S. Bank National Association, as escrow agent (the “Escrow Agent”), pursuant to which the District will deposit the net proceeds of the Series A Bonds and the Series B Bonds into the Series A Bonds Escrow Fund Sub-Account and the Series B Bonds Escrow Fund Sub-Account (each as defined herein), respectively, such proceeds to be used to purchase certain non-callable Federal Securities (as defined herein), the maturing principal of which, together with interest and earnings thereon, and any other proceeds of the Bonds held as cash, will be sufficient to pay (i) the debt service due on the Series B Bonds on and prior to August 1, 2023 (the “Crossover Date”), (ii) the redemption price of the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds on the Crossover Date, such date being the first optional redemption date therefor, and (iii) the redemption price of the Refunded 2011 Refunding Bonds, Refunded 2012 Refunding Bonds, Refunded 2002 Series 2013 Bonds and the Refunded 2006 Series 2013 Current Interest Bonds on the respective first optional redemption dates therefor.

See also “REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth on the inside cover, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS – Book-Entry Only System” herein. In 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 described 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” or “Holders” of the Bonds (other than under the caption “— Tax Matters” herein and “TAX MATTERS” 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 any integral multiple thereof.

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

Payments. The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the initial date of delivery of the Bonds (the “Date of Delivery”) and be payable semiannually on each February 1 and August 1 (each a “Bond Payment Date”), commencing February 1, 2020. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by Treasurer-Tax Collector of the County, as the designated paying agent, bond registrar, authentication agent and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners. See also “THE BONDS – Book-Entry Only System” herein.

Tax Matters

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest 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. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. See “TAX MATTERS” 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 of the Bonds” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about October 16, 2019.

Bond Owner’s Risks

The Series A Bonds are general obligations of the District payable solely from *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). From and after the Crossover Date, the Series B Bonds shall be general obligations of the District payable solely from *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District and certain other considerations related thereto, see “TAX BASE FOR REPAYMENT OF BONDS” and “LIMITATION ON REMEDIES; BANKRUPTCY” herein. Prior to the Crossover Date, the Series B Bonds will be secured by and payable solely from proceeds of the Bonds deposited into the Series B Bonds Escrow Fund Sub-Account (defined herein).

Continuing Disclosure

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, in compliance with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (collectively, the “Rule”). See “LEGAL MATTERS – Continuing Disclosure” herein. The specific nature of the information to be made available and of the notices of material events required to be provided are summarized in form of the Continuing Disclosure Certificate in “APPENDIX C” attached hereto.

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 and KNN Public Finance, Oakland, California, acting as municipal advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, and KNN Public Finance will each receive compensation from the District contingent upon the sale and delivery of the Bonds. Nixon Peabody LLP, San Francisco, California is acting as counsel to the Underwriters for the Bonds. The Treasurer-Tax Collector of San Diego County has been appointed as the Paying Agent with respect to the Bonds. U.S. Bank National Association has been appointed as Escrow Agent (as defined herein) with respect to the Refunded Bonds. Causey Demgen & Moore P.C., Denver, Colorado is acting as verification agent for the Bonds.

Forward Looking Statements

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

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 Executive Vice Chancellor, Business and Technology Services, San Diego Community College District, 3375 Camino Del Rio South, San Diego, California 92108, telephone: (619) 388-6500. 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 entireties by reference to each of such documents, statutes and constitutional provisions.

Certain 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 (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, commencing with Section 53550 *et seq.*, and other applicable law, and pursuant to a resolution adopted by the Board on August 22, 2019 (the "Resolution").

Security and Sources of Payment

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

Series B Bonds. Prior to the Crossover Date, the Series B Bonds will be secured by and payable solely from the proceeds thereof on deposit in the Series B Bonds Escrow Fund Sub-Account. From and after the Crossover Date, the Series B Bonds shall, without further action on the part of the District or the Owners or Beneficial Owners of the Series B Bonds, constitute general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. From and after the Crossover Date, the Board of Supervisors of the County will be empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series B Bonds when due.

General. Such *ad valorem* property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest on the Series A Bonds, and from and after the Crossover Date, the Series B Bonds, when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish such a reserve, and the District can make no representation that such reserve will be established by the County or that such a reserve, if previously established by the County, will be maintained in the future. Such taxes, when collected, will be placed by the County in the respective Debt Service Funds (as defined herein), which are required to be segregated and maintained by the County and which are designated for the payment of the principal of and interest on the corresponding series of Bonds when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in each Debt Service Fund to the payment of the corresponding series of Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Funds, none of the Bonds are a debt of the County.

Moneys in the respective Debt Service Funds, to the extent necessary to pay the principal of and interest on the Series A Bonds, and, from and after the Crossover Date, the Series B Bonds, as the same become due and payable, will be transferred by the County to the Paying Agent. Prior to the Crossover Date, funds for the payment of the Series B Bonds will be remitted to the Paying Agent from the Series B Bonds Escrow Fund Sub-Account (defined herein). The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Series A Bonds, and, from and after the Crossover Date, the Series B Bonds, as described above, 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 Bonds in any year. Fluctuations in the annual debt service on the Bonds and 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 land values, 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, flood, fire, wildfire, 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 California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

Pursuant to California 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, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, both as to principal and interest, 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 California Constitution. 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 and owing 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. See “— Book-Entry Only System” herein. Beneficial Owners will not receive certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing February 1, 2020. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each 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 will bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2020, in which event it will bear interest from the Date of Delivery. The 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.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such 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 of and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the designated office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds shall 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 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.

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Annual Debt Service

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions are made):

Year Ending (August 1)	Series A Bonds		Series B Bonds		Total Annual Debt Service
	Annual Principal Payment	Annual Interest Payment ⁽¹⁾	Annual Principal Payment	Annual Interest Payment ⁽¹⁾⁽²⁾⁽³⁾	
2020	\$10,415,000.00	\$9,097,138.61	--	\$6,402,860.39	\$25,914,999.00
2021	6,590,000.00	11,289,592.20	--	8,087,823.66	25,967,415.86
2022	9,330,000.00	11,162,075.70	--	8,087,823.66	28,579,899.36
2023	32,335,000.00	10,981,446.90	--	8,087,823.66	51,404,270.56
2024	24,180,000.00	10,336,040.30	--	8,087,823.66	42,603,863.96
2025	29,040,000.00	9,841,317.50	--	8,087,823.66	46,969,141.16
2026	31,280,000.00	9,202,727.90	--	8,087,823.66	48,570,551.56
2027	32,025,000.00	8,483,600.70	\$630,000.00	8,087,823.66	49,226,424.36
2028	36,190,000.00	7,712,758.96	2,100,000.00	8,072,659.56	54,075,418.52
2029	36,960,000.00	6,823,570.66	3,680,000.00	8,021,062.56	55,484,633.22
2030	37,835,000.00	5,896,983.46	5,385,000.00	7,928,804.96	57,045,788.42
2031	14,480,000.00	4,899,274.50	7,215,000.00	7,786,802.50	34,381,077.00
2032	14,110,000.00	4,505,852.90	9,195,000.00	7,590,770.96	35,401,623.86
2033	1,290,000.00	4,109,785.20	26,855,000.00	7,332,667.30	39,587,452.50
2034	1,335,000.00	4,066,750.80	25,235,000.00	6,560,048.96	37,196,799.76
2035	1,380,000.00	4,022,215.20	25,985,000.00	5,808,803.00	37,196,018.20
2036	1,425,000.00	3,976,178.40	26,845,000.00	4,947,140.40	37,193,318.80
2037	1,470,000.00	3,928,640.40	27,735,000.00	4,056,960.20	37,190,600.60
2038	1,520,000.00	3,879,601.20	28,655,000.00	3,137,267.60	37,191,868.80
2039	1,570,000.00	3,828,894.00	29,605,000.00	2,187,067.80	37,190,961.80
2040	1,625,000.00	3,776,518.80	30,585,000.00	1,205,366.00	37,191,884.80
2041	31,485,000.00	3,722,308.80	5,765,000.00	191,167.40	41,163,476.20
2042	39,390,000.00	2,671,969.20	==	==	42,061,969.20
2043	<u>40,705,000.00</u>	<u>1,357,918.80</u>	==	==	<u>42,062,918.80</u>
TOTAL	<u>\$437,965,000.00</u>	<u>\$149,573,161.09</u>	<u>\$255,470,000.00</u>	<u>\$137,844,215.21</u>	<u>\$980,852,376.30</u>

⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2020.

⁽²⁾ Reflects interest on the Series B Bonds prior to the Crossover Date, which is secured by and payable solely from proceeds of the Series B Bonds deposited into the Series B Bonds Escrow Fund Sub-Account. See “- Security and Sources of Payment – Series B Bonds” herein.

⁽³⁾ Reflects interest on the Series B Bonds from and after the Crossover Date, which shall be payable solely from *ad valorem* property taxes. See “- Security and Sources of Payment – Series B Bonds” herein.

See “SAN DIEGO COMMUNITY COLLEGE DISTRICT – District Debt Structure – General Obligation Bonds” herein for a schedule of the combined debt service requirements for all of the District’s outstanding general obligation bonds.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2029 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2030 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, 2029, at a redemption

price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series A Bonds maturing on August 1, 2043 (the “Series A 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, 2033 at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Series A Term Bonds to be so redeemed and the dates therefor and the final maturity date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount to be Redeemed
2033	\$1,290,000
2034	1,335,000
2035	1,380,000
2036	1,425,000
2037	1,470,000
2038	1,520,000
2039	1,570,000
2040	1,625,000
2041	31,485,000
2042	39,390,000
2043 ⁽¹⁾	<u>40,705,000</u>
Total	\$123,195,000

⁽¹⁾ Maturity.

In the event that a portion of the Series A Term Bonds maturing on August 1, 2043 is 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 of principal amount, in respect of the portion of such Series A Term Bonds optionally redeemed.

The Series B Bonds maturing on August 1, 2041 (the “Series B 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, 2035 at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Series B Term Bonds to be so redeemed and the dates therefor and the final maturity date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount to be Redeemed
2035	\$25,985,000
2036	26,845,000
2037	27,735,000
2038	28,655,000
2039	29,605,000
2040	30,585,000
2041 ⁽¹⁾	<u>5,765,000</u>
Total:	\$175,175,000

⁽¹⁾ Maturity.

In the event that a portion of the Series B Term Bonds maturing on August 1, 2041 is 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 of principal amount, in respect of the portion of such Series B Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the 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 directed by the District, 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 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 Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption. When 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 (or portions thereof). 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 of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice will further state that on the specified date there will become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued to the redemption date thereon, and that from and after such date, interest thereon will cease to accrue.

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) provide such Redemption Notice 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.

“Securities Depository” shall mean 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 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.

Payment of Redeemed Bonds. When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, 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 notice of redemption, 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 principal 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 District will be released and discharged thereupon from all liability to the extent of such payment.

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 to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in “—Defeasance,” and if Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Conditional Redemption Notice. 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 of, 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 initially 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.

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 irrevocably held in trust for the payment of the redemption price of such Bonds or portions thereof, and, 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 none of the District, the Municipal Advisor, nor the Underwriters take any responsibility for the accuracy or completeness thereof. The District and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to 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 so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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 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, 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, transfer and exchange of the Bonds.

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

Any Bond may be exchanged for a Bond of like series, tenor, maturity and principal amount 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 registration books upon presentation and surrender of the Bond at such 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 principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) 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 notice of redemption is given or (b) 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 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 Debt Service Fund, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premium, 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 (as defined herein) together with any amounts transferred from the Debt Service Fund, and any other cash, if required, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon, and redemption premium, if any), at or before their maturity date;

then, notwithstanding that any such maturities of 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 the 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 all 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 (“S&P”) or by Moody’s Investors Service (“Moody’s”).

REFUNDING PLAN

Series A Bonds. The Series A Bonds are being issued by the District to (i) refund the Refunded 2011 Refunding Bonds, Refunded 2012 Refunding Bonds, Refunded 2002 Series 2013 Bonds, and Refunded 2006 Series 2013 Current Interest Bonds and (ii) pay the costs of issuance of the Series A Bonds.

The net proceeds from the sale of the Series A Bonds will be paid to U.S. Bank National Association, acting as escrow agent (the “Escrow Agent”), to the credit of an escrow fund (the “Escrow Fund”) established pursuant to an escrow agreement relating to the Refunded Bonds (the “Escrow Agreement”) by and between the District and the Escrow Agent. Within the Escrow Fund, the Escrow Agent shall establish and hold subaccounts (each, an “Escrow Sub-Account”) relating to each of the Series A Bonds (the “Series A Bonds Escrow Fund Sub-Account”) and the Series B Bonds (the “Series B Bonds Escrow Fund Sub-Account”).

Pursuant to the Escrow Agreement, the amount deposited in the Series A Bonds Escrow Fund Sub-Account 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, the principal of and interest on which will be sufficient, together with any monies deposited in the Series A Bonds Escrow Fund Sub-Account and held as cash, to enable the Escrow Agent to pay the redemption price of the Refunded 2011 Refunding Bonds, Refunded 2012

Refunding Bonds, Refunded 2002 Series 2013 Bonds, and Refunded 2006 Series 2013 Current Interest Bonds on the respective first optional redemption dates therefor, as well as the interest due thereon on and before such dates. Information regarding specific maturities of the Refunded 2011 Refunding Bonds, Refunded 2012 Refunding Bonds, Refunded 2002 Series 2013 Bonds and Refunded 2006 Series 2013 Current Interest Bonds are listed in the following tables.

REFUNDED 2011 REFUNDING BONDS
San Diego Community College District
2011 General Obligation Refunding Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption Price</u> <u>(% of Par Amount)</u>	<u>CUSIP</u> [†]
2022	\$2,700,000	5.000%	August 1, 2021	100%	797272HQ7
2023	2,800,000	5.000	August 1, 2021	100	797272HR5

REFUNDED 2012 REFUNDING BONDS
San Diego Community College District
2012 General Obligation Refunding Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption Price</u> <u>(% of Par Amount)</u>	<u>CUSIP</u> [†]
2023	\$24,480,000	5.000%	August 1, 2022	100%	797272LQ2
2024	19,330,000	5.000	August 1, 2022	100	797272LR0
2025	21,370,000	5.000	August 1, 2022	100	797272LS8
2026	23,545,000	5.000	August 1, 2022	100	797272LT6
2027	24,100,000	5.000	August 1, 2022	100	797272LU3
2028	26,280,000	5.000	August 1, 2022	100	797272LV1
2029	28,790,000	5.000	August 1, 2022	100	797272LW9

† 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. None of the Underwriters, the Municipal Advisor or 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, the Municipal Advisor or the Underwriters 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 2002 SERIES 2013 BONDS
San Diego Community College District
General Obligation Bonds, Election of 2002, Series 2013

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption Price</u> <u>(% of Par Amount)</u>	<u>CUSIP</u> [†]
2025	\$3,645,000	5.000%	August 1, 2023	100%	797272MH1
2026	4,440,000	5.000	August 1, 2023	100	797272MJ7
2027	5,325,000	5.000	August 1, 2023	100	797272MK4
2028	8,280,000	5.000	August 1, 2023	100	797272ML2
2029	7,360,000	5.000	August 1, 2023	100	797272MM0
2030	38,240,000	5.000	August 1, 2023	100	797272MN8
2031	13,770,000	5.000	August 1, 2023	100	797272MP3
2032	13,635,000	5.000	August 1, 2023	100	797272MQ1

REFUNDED 2006 SERIES 2013 CURRENT INTEREST BONDS
San Diego Community College District
General Obligation Bonds, Election of 2006, Series 2013

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption Price</u> <u>(% of Par Amount)</u>	<u>CUSIP</u> [†]
2043	\$122,350,000	5.000%	August 1, 2023	100%	797272MY4

The sufficiency of the amounts on deposit in the Series A Bonds Escrow Fund Sub-Account, together with realizable interest and earnings thereon, to pay the redemption price of the Refunded 2011 Refunding Bonds, the Refunded 2012 Refunding Bonds, the Refunded 2002 Series 2013 Bonds, and Refunded 2006 Series 2013 Current Interest 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 Underwriters and the Verification Agent, the Refunded 2002 Series 2013 Bonds, the Refunded 2011 Refunding Bonds, the Refunded 2012 Refunding Bonds and the Refunded 2006 Series 2013 Current Interest Bonds will be defeased and the obligation of the County to levy *ad valorem* property taxes for payment of the Refunded 2002 Series 2013 Bonds, Refunded 2011 Refunding Bonds, the Refunded 2012 Refunding Bonds and Refunded 2006 Series 2013 Current Interest Bonds will terminate. See “LEGAL MATTERS – Escrow Verification” herein.

Any accrued interest on the Series A Bonds, when received by the District from the sale of the Series A Bonds, any surplus moneys in the Series A Bonds Escrow Fund Sub-Account, when received by the District following the redemption of the Refunded 2002 Series 2013 Bonds, Refunded 2011 Refunding Bonds, Refunded 2012 Refunding Bonds, and Refunded 2006 Series 2013 Current Interest

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Bonds and any other excess proceeds of the Series A Bonds not needed for the authorized purposes for which the Series A Bonds are being issued, will be kept separate and apart in the fund held by the County and designated as the “San Diego Community College District 2019 General Obligation Refunding Bonds, Series A Debt Service Fund” (the “Series A Bonds Debt Service Fund”) and applied to the payment of principal of and interest on the Series A Bonds. If, after payment in full of the Series A Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Series B Bonds. The Series B Bonds are being issued by the District to (i) refund the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds, and (ii) pay the costs of issuance of the Series B Bonds.

The net proceeds from the sale of the Series B Bonds will be paid to the Escrow Agent, to the credit of an escrow fund (the “Series B Escrow Fund Sub-Account”) established pursuant to the Escrow Agreement. Pursuant to the Escrow Agreement, the amount deposited in the Series B Bonds Escrow Fund Sub-Account 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, the principal of and interest on which will be sufficient, together with any monies deposited in the Series B Bonds Escrow Fund Sub-Account and held as cash, to enable the Escrow Agent to pay (i) the redemption price of the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded Convertible Capital Appreciation Bonds on the first optional redemption date therefor, as described above, and (ii) **prior to the Crossover Date, the interest on the Series B Bonds, as the same shall become due and payable. Prior to the Crossover Date, the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds will remain general obligations of the District payable solely from *ad valorem* property taxes.** Amounts deposited into the Series B Bonds Escrow Fund Sub-Account under the Escrow Agreement are not available to pay any other obligations of the District. Information regarding specific maturities of the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds are listed in the following table.

REFUNDED 2006 SERIES 2013 CAPITAL APPRECIATION BONDS
San Diego Community College District
General Obligation Bonds, Election of 2006, Series 2013

<u>Maturity Date</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Accretion</u> <u>Rate</u>	<u>Redemption</u> <u>Date</u>	<u>Accreted Value at</u> <u>Redemption Date</u>	<u>Redemption Price</u> <u>(Accreted Value)</u>	<u>CUSIP</u> [†]
2024	\$3,461,392.20	4.650%	August 1, 2023	\$5,482,101.80	100%	797272NG2
2025	4,370,474.40	4.950	August 1, 2023	7,127,683.80	100	797272NH0
2026	4,916,913.30	5.200	August 1, 2023	8,216,837.10	100	797272NJ6
2027	5,415,831.10	5.380	August 1, 2023	9,210,751.30	100	797272NK3
2028	5,830,788.15	5.570	August 1, 2023	10,101,541.00	100	797272NL1
2029	6,200,706.60	5.720	August 1, 2023	10,900,546.80	100	797272NM9
2030	6,614,610.00	5.770	August 1, 2023	11,684,622.00	100	797272NN7
2031	6,955,069.80	5.840	August 1, 2023	12,369,970.80	100	797272NP2
2032	7,265,310.70	5.900	August 1, 2023	12,997,584.25	100	797272NQ0

REFUNDED 2006 SERIES 2013 CONVERTIBLE CAPITAL APPERCEPTION BONDS
San Diego Community College District
General Obligation Bonds, Election of 2006, Series 2013

<u>Maturity Date</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Accretion</u> <u>Rate</u>	<u>Redemption</u> <u>Date</u>	<u>Accreted Value at</u> <u>Redemption Date</u>	<u>Redemption Price</u> <u>(Accreted Value)</u>	<u>CUSIP</u> [†]
2041	\$82,003,493.70	6.230%	August 1, 2023	\$151,475,058.10	100%	797272NT4

The following chart describes the initial investments of the proceeds of the Series B Bonds on deposit in the Series B Bonds Escrow Fund Sub-Account.

SERIES B BONDS ESCROW FUND SUB-ACCOUNT
Federal Securities

<u>Type of</u> <u>Security</u>	<u>Par</u> <u>Amount</u>	<u>Maturity</u> <u>Date</u>	<u>Rate</u>
SLGS	\$1,111,070	2/1/2020	2.030%
SLGS	1,900,770	8/1/2020	1.890
SLGS	1,929,234	2/1/2021	1.830
SLGS	1,946,887	8/1/2021	1.760
SLGS	1,964,019	2/1/2022	1.720
SLGS	1,980,910	8/1/2022	1.700
SLGS	1,997,748	2/1/2023	1.690
SLGS	241,581,325	8/1/2023	1.680

The sufficiency of the amounts on deposit in the Series B Bonds Escrow Fund Sub-Account, together with realizable interest and earnings thereon, to pay the interest on the Series B Bonds prior to the Crossover Date, and the redemption price of the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds, each as described above,

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will be verified by the Verification Agent. **Prior to the Crossover Date, the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds will remain general obligations of the District payable solely from *ad valorem* property taxes, and will not be considered defeased.** See “LEGAL MATTERS – Escrow Verification” herein.

Any accrued interest on the Series B Bonds, when received by the District from the sale of the Series B Bonds, any surplus moneys in the Series B Bonds Escrow Fund Sub-Account, when received by the District following the redemption of the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds, and any other excess proceeds of the Series B Bonds not needed for the authorized purposes for which the Series B Bonds are being issued, will be kept separate and apart in the fund held by the County and designated as the “San Diego Community College District 2019 General Obligation Refunding Bonds, Series B Debt Service Fund” (the “Series B Bonds Debt Service Fund” and, together with the Series A Bonds Debt Service Fund, the “Debt Service Funds”) and applied to the payment of principal of and interest on the Series B Bonds. If, after payment in full of the Series B Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Investment of Funds. Moneys in the Debt Service Funds are expected to be invested through the San Diego County Investment Pool. See “APPENDIX E – SAN DIEGO COUNTY INVESTMENT POOL” attached hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

	<u>Series A Bonds</u>	<u>Series B Bonds</u>
<u>Sources of Funds</u>		
Principal Amount of the Bonds	<u>\$437,965,000.00</u>	<u>\$255,470,000.00</u>
Total Sources	<u>\$437,965,000.00</u>	<u>\$255,470,000.00</u>
<u>Uses of Funds</u>		
Escrow Fund	\$436,156,805.00	\$254,411,963.00
Costs of Issuance ⁽¹⁾	<u>1,808,195.00</u>	<u>1,058,037.00</u>
Total Uses	<u>\$437,965,000.00</u>	<u>\$255,470,000.00</u>

⁽¹⁾ Reflects all costs of issuance, including but not limited to the Underwriters’ discount, legal fees, municipal advisor fees, printing costs, rating agencies fees, and the costs and fees of the Paying Agent, Verification Agent and Escrow Agent.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. Prior to the Crossover Date, the Series B Bonds will be secured by and payable solely from proceeds thereof deposited into the Series B Bonds Escrow Fund Sub-Account established therefor. The Series A Bonds, and, from and after the Crossover Date, the Series B Bonds, will be payable solely from ad valorem property taxes. The Board of Supervisors of the County shall be empowered and obligated to annually levy such ad valorem property taxes, without limitation as to rate or amount, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series A Bonds, and from and after the Crossover Date, the Series B Bonds. 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 County at the same time and on the same tax rolls as county, city and special district property taxes. Assessed valuations are the same for both District and county 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. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all 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. The County levies and collects all property taxes for property falling within the 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 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the tax-collecting authority of the County. After the second installment of taxes on the secured roll is delinquent, the tax-collecting authority of the County will collect a cost of \$10 for preparing the delinquent tax records and giving notice of the delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 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 subject to sale by the tax-collecting authority of each of the County.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid, are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. 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 the 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 the 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 of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property, such as churches, colleges, non-profit hospitals, and charitable institutions.

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, including K-14 school districts (as defined herein), 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 table below and on the following page shows the assessed valuations for the territory within the District for fiscal years 2007-08 through 2019-20, each as of the date the equalized assessment tax roll is established in August of each year.

ASSESSED VALUATIONS
Fiscal Years 2007-08 through 2019-20
San Diego Community College District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2007-08	\$124,490,679,679	\$21,304,365	\$6,215,253,869	\$130,727,237,913
2008-09	131,238,588,586	19,448,656	6,575,029,981	137,833,067,223
2009-10	130,052,689,006	21,098,656	6,633,576,650	136,707,364,312
2010-11	127,679,453,714	23,718,656	6,466,638,872	134,169,811,242
2011-12	128,355,874,721	22,888,656	6,058,944,968	134,437,708,345
2012-13	128,045,680,818	24,984,976	6,106,868,688	134,177,534,482
2013-14	133,185,375,034	20,001,306	6,304,508,555	139,509,884,895
2014-15	141,534,200,296	19,368,918	6,648,526,188	148,202,095,402
2015-16	150,302,506,040	20,998,958	6,850,181,426	157,173,686,424
2016-17	159,317,217,136	11,401,517	6,912,467,040	166,241,085,693
2017-18	169,427,652,027	14,878,958	7,455,720,754	176,898,251,739
2018-19	179,945,428,023	7,509,903	7,781,936,891	187,734,874,817
2019-20	191,106,273,336	7,512,876	8,343,243,738	199,457,029,950

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, 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 County to pay

the debt service with respect to the Bonds. See “THE BONDS – Security and Sources of Payment” herein.

Appeals and Adjustments of Assessed Valuation. 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. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. 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 California 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, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” herein. Such reductions 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.

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 signed into law Assembly Bill 102 (“AB 102”). AB 102 restructures the functions of the SBE and creates 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 will take 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 will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning 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 tax 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.

Assessed Valuation by Jurisdiction

The following is an analysis of the assessed valuation of property within the District by jurisdiction for fiscal year 2019-20.

**ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2019-20
San Diego 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 La Mesa	\$4,290,852	0.00%	\$7,674,651,306	0.06%
City of National City	4,166,595	0.00	\$4,331,128,916	0.10%
City of San Diego	199,331,985,003	99.94	\$264,495,510,966	75.36%
Unincorporated San Diego County	<u>116,587,500</u>	<u>0.06</u>	\$77,548,869,915	0.15%
Total District	\$199,457,029,950	100.00%		
San Diego County	\$199,457,029,950	100.00%	\$556,205,983,982	35.86%

Source: California Municipal Statistics, Inc.

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Assessed Valuation and Parcels by Land Use

The following shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2019-20 assessed valuation of such parcels (excluding utility and unsecured assessed valuations).

ASSESSED VALUATION AND PARCELS BY LAND USE Fiscal Year 2019-20 San Diego Community College District

	2019-20 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office	\$40,964,929,989	21.44%	10,102	3.47%
Vacant Commercial	1,126,483,309	0.59	970	0.33
Industrial	13,949,174,900	7.30	3,040	1.04
Vacant Industrial	390,833,963	0.20	418	0.14
Recreational	792,614,863	0.41	207	0.07
Government/Social/Institutional	678,054,120	0.35	2,046	0.70
Miscellaneous	<u>360,891,364</u>	<u>0.19</u>	<u>188</u>	<u>0.06</u>
Subtotal Non-Residential	\$58,262,982,508	30.49%	16,971	5.83%
Residential:				
Single Family Residence	\$72,536,861,460	37.96%	153,548	52.74%
Condominium/Townhouse	33,370,444,360	17.46	83,366	28.64
Mobile Home	97,211,145	0.05	1,274	0.44
Mobile Home Park	139,030,486	0.07	29	0.01
Timeshare	32,187,035	0.02	4,585	1.57
2-4 Residential Units	7,699,361,626	4.03	17,169	5.90
5+ Residential Units/Apartments	17,671,593,497	9.25	6,439	2.21
Miscellaneous Residential	66,391,258	0.03	868	0.30
Vacant Residential	<u>1,230,209,961</u>	<u>0.64</u>	<u>6,880</u>	<u>2.36</u>
Subtotal Residential	\$132,843,290,828	69.51%	274,158	94.17%
Total	\$191,106,273,336	100.00%	291,129	100.00%

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

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Assessed Valuation of Single Family Homes

The following table displays the per-parcel analysis of single family residences within the District, in terms of their 2019-20 assessed valuation.

ASSESSED VALUATION OF SINGLE FAMILY HOMES Fiscal Year 2019-20 San Diego Community College District

	<u>No. of Parcels</u>	<u>2019-20 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	153,548	\$72,536,861,460	\$472,405	\$351,567

<u>2019-20 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	3,193	2.079%	2.079%	\$120,859,286	0.167%	0.167%
50,000 - 99,999	16,394	10.677	12.756	1,193,978,931	1.646	1.813
100,000 - 149,999	10,630	6.923	19.679	1,325,009,201	1.827	3.639
150,000 - 199,999	11,746	7.650	27.329	2,058,424,359	2.838	6.477
200,000 - 249,999	12,268	7.990	35.319	2,765,021,910	3.812	10.289
250,000 - 299,999	11,805	7.688	43.007	3,235,117,210	4.460	14.749
300,000 - 349,999	10,207	6.647	49.654	3,310,823,267	4.564	19.313
350,000 - 399,999	9,957	6.485	56.139	3,725,770,333	5.136	24.450
400,000 - 449,999	9,310	6.063	62.202	3,948,112,187	5.443	29.893
450,000 - 499,999	8,424	5.486	67.688	3,989,606,714	5.500	35.393
500,000 - 549,999	6,995	4.556	72.244	3,668,585,797	5.058	40.450
550,000 - 599,999	6,506	4.237	76.481	3,732,672,266	5.146	45.596
600,000 - 649,999	5,689	3.705	80.186	3,548,957,216	4.893	50.489
650,000 - 699,999	4,558	2.968	83.154	3,069,683,099	4.232	54.721
700,000 - 749,999	3,825	2.491	85.646	2,767,104,641	3.815	58.535
750,000 - 799,999	3,124	2.035	87.680	2,415,535,814	3.330	61.865
800,000 - 849,999	2,567	1.672	89.352	2,112,401,449	2.912	64.778
850,000 - 899,999	2,224	1.448	90.800	1,941,375,714	2.676	67.454
900,000 - 949,999	1,757	1.144	91.945	1,621,533,674	2.235	69.689
950,000 - 999,999	1,437	0.936	92.880	1,399,051,998	1.929	71.618
1,000,000 and greater	<u>10,932</u>	<u>7.120</u>	100.000	<u>20,587,236,394</u>	<u>28.382</u>	100.000
Total	153,548	100.000%		\$72,536,861,460	100.000%	

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

Alternative Method of Tax Apportionment - Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions 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 County acts as the tax-levying or tax-collecting agency.

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

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the current year's *ad valorem* property tax levied to pay the District's general obligation bonds, including the Series A Bonds, and, from and after the Crossover Date, the Series B Bonds, irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is 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 County acts as the tax-levying or tax-collecting agency.

Tax delinquency data for the prior fiscal years are not available.

Principal Taxpayers

The following table lists the major taxpayers in the District in terms of their 2019-20 secured assessed valuations.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2019-20
San Diego Community College District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Qualcomm Inc.	Office Building	\$2,087,000,719	1.09%
2.	Irvine Company LLC	Office Building	1,187,304,614	0.62
3.	Host Hotels and Resorts LP	Hotel	1,101,509,159	0.58
4.	UTC Venture LLC	Commercial	863,560,212	0.45
5.	H.G. Fenton Co.	Apartments	779,974,074	0.41
6.	Fashion Valley Mall LLC	Shopping Center	527,864,992	0.28
7.	One Park Boulevard LLC	Hotel	505,922,463	0.26
8.	La Jolla Crossroads I LLC	Apartments	488,173,042	0.26
9.	Bosa Development California II LLC	Office Building	466,983,126	0.24
10.	Solar Turbines Inc.	Industrial	419,357,181	0.22
11.	Village Mission Valley LLC	Apartments	418,283,763	0.22
12.	Illumina Inc. ARE-SD Region No. 32 LLC	Industrial	389,427,916	0.20
13.	Pacific Gateway Ltd.	Hotel	383,893,261	0.20
14.	LHO Mission Bay Hotel LP	Hotel	382,369,272	0.20
15.	HSPF La Jolla Commons II Investors	Office Building	350,945,788	0.18
16.	Seaworld Parks and Entertainment	Theme Park	333,317,421	0.17
17.	GDCV II BP Village Podium REIT LLC	Office Building	312,608,415	0.16
18.	Pfizer Inc.	Industrial	307,771,562	0.16
19.	National Steel & Shipbuilding Co.	Industrial	293,877,003	0.15
20.	Scripps Mesa Developers II LLC	Apartments	280,677,207	0.15
			<u>\$11,880,821,190</u>	<u>6.22%</u>

⁽¹⁾ The District's fiscal year 2019-20 local secured assessed valuation is \$191,106,273,336.
Source: *California Municipal Statistics, Inc.*

Tax Rates

A representative tax rate area (a “TRA”) located within the District is TRA 8-001. The table below demonstrates the total *ad valorem* property tax rates levied by all taxing entities in this TRA from 2014-15 through 2018-19.

SUMMARY OF *AD VALOREM* PROPERTY TAX RATES San Diego Community College District Fiscal Years 2014-15 through 2018-19

TRA 8-001 – 2018-19 Assessed Valuation: \$97,839,060,120

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
San Diego Unified School District	.12670	.12670	.12670	.12670	.12670
San Diego Community College District	.04381	.03939	.03912	.03447	.03941
City of San Diego	.00500	.00500	.00500	.00500	.00500
Metropolitan Water District	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>
Total	1.17901%	1.17459%	1.17432%	1.16967%	1.17461%

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc., for debt issued as of August 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
San Diego Community College District

2019-20 Assessed Valuation: \$199,457,029,950

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u> ⁽¹⁾	<u>Debt 8/1/19</u>
Metropolitan Water District	6.435	\$3,092,018
San Diego Community College District	100.000	1,274,128,309 ⁽²⁾
San Diego Unified School District	99.062	3,446,329,600
Poway Unified School District School Facilities Improvement District No. 2002-1 and 2007-1	0.016	47,888
San Dieguito Union High School District	0.070	231,231
Sweetwater Union High School District	0.009	35,618
National School District	0.105	26,597
Cities	0.058-0.100	14,268
Grossmont Healthcare District	7.219	18,383,063
Palomar Healthcare District	0.797	3,363,531
City of San Diego Community Facilities District No. 1	84.533	5,832,777
City of San Diego Community Facilities District No. 3	100.000	13,360,000
Poway Unified School District Community Facilities District No. 1	16.846	641,833
San Dieguito Union High School District Community Facilities District No. 95-1	0.381	<u>111,443</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$4,765,598,176

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	35.689%	\$91,137,215
San Diego County Pension Obligation Bonds	35.689	181,573,141
San Diego County Superintendent of Schools Obligations	35.689	3,599,236
Poway Unified School District Certificates of Participation	2.016	1,131,178
Other School District Certificates of Participation	Various	12,502
City of San Diego General Fund Obligations	75.162	393,600,080
Other City General Fund Obligations	0.058-0.100	6,773
San Miguel Consolidated Fire Protection District Certificates of Participation	0.814	<u>6,960</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$671,067,085

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$352,796,789

COMBINED TOTAL DEBT \$5,789,462,050⁽³⁾

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$1,274,128,309)	0.64%
Total Direct and Overlapping Tax and Assessment Debt.....	2.39%
Combined Total Debt	2.90%

Ratios to Redevelopment Incremental Valuation (\$27,888,121,808):

Total Overlapping Tax Increment Debt.....	1.27%
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⁽¹⁾ 2018-19 ratios.
⁽²⁾ Excludes the Bonds and includes the Refunded Bonds described herein.
⁽³⁾ 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

Prior to the Crossover Date, the Series B Bonds will be secured by and payable solely from proceeds thereof deposited into the Series B Bonds Escrow Fund Sub-Account established therefor. The Series A Bonds, and, from and after the Crossover Date, the Series B Bonds, will be payable solely from ad valorem property taxes. The Board of Supervisors of the County shall be empowered and obligated to annually levy such ad valorem property taxes, without limitation as to rate or amount, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series A Bonds, and from and after the Crossover Date, the Series B Bonds. See “THE BONDS – Security and Sources of Payment” herein. Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and to the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Series A Bonds and, from and after the Crossover Date, the Series B Bonds.

Article XIII A of the California Constitution

Article XIII A (“Article XIII A”) of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of “full cash value” as determined by the county assessor 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 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 adjusted base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rates levied by the County to pay debt service on the Series A Bonds, and, from and after the Crossover Date, the Series B Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations” herein.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, 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 (i) on any indebtedness approved by the voters prior to July 1, 1978, or (ii) 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 (iii) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school

facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Series A Bonds, and, from and after the Crossover Date, the Series B Bonds, falls within the exception described in (iii) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds or more of all members of the Legislature of the State (the “State Legislature”) to change any State taxes for the purpose of increasing tax revenues.

Split Roll Property Tax Ballot Measure. On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the “2020 Ballot Measure”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, the 2020 Ballot Measure would amend Article XIII A such that the “full cash value” of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, the 2020 Ballot Measure would not affect the “full cash value” of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the Statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure 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 or 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 (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

State-Assessed Utility 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. Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s financing formula for community college districts. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues” herein.

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 of the State Constitution 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 of the State Constitution 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.

Intra-county transfers under Proposition 171 are more restrictive than inter-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.

Article XIII B of the California Constitution

Article XIII B of the State Constitution (“Article XIII B”), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, 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 to mean the percentage change in the average daily attendance 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 fiscal year 1986-87 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.

Article XIIC and Article XIID of the California Constitution

On November 5, 1996, State voters approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the State Constitution Articles 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 K-14 school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article 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 of the State Constitution 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 County pursuant to Article XIII A of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, State voters approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local

government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

On November 8, 1988, State voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been 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, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in pupil attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to

return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such districts' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into such districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, all appropriations for "qualified capital outlay projects," as defined by the Legislature, are excluded. Also, any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990 are all excluded. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) a certain percentage of State general fund revenues (Test 1) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (Test 2). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) 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" to K-14 school districts which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, 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-14 school districts, including the District, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

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

Jarvis vs. Connell

On May 29, 2002, the State Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as 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-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

Proposition 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 6, 2018. 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 (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – 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 will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of 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 of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum funding guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is an initiative that was approved by State voters on June 5, 2018. Proposition 51 authorizes the sale and issuance of \$9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities.

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

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

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

Future Initiatives

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

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

The information in this section concerning 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 of or interest on the Bonds is payable from the general fund of the District. Prior to the Crossover Date, the Series B Bonds will be secured by and payable solely from proceeds thereof deposited into the Series B Bonds Escrow Fund Sub-Account established therefor. The Series A Bonds, and, from and after the Crossover Date, the Series B Bonds, will be payable solely from ad valorem property taxes required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Major Revenues

General. California community college districts (other than "community supported" Basic Aid districts, as described below) receive a majority of their funding from the State, and the balance from local and federal sources. State funds include general apportionment, categorical funds, capital construction, lottery funds, 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 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.

"Basic Aid" community college districts (also referred to "community supported" districts) are those districts whose local property taxes, student enrollment fee collections, and Education Protection Account funds exceed the revenue allocation determined by the current State funding model. Thus, Basic Aid 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 Basic Aid districts is that 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 Basic Aid district.

Enrollment Based Funding. California 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 previously 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 were 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 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 2018-19, 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.)

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 is 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 Governor’s 2019-20 State Budget extended the “hold-harmless” for one more year and also locked in Base Allocation for 2019-20 to remain at 70%. In 2020-21, the Base Allocation is expected decrease to 65% and to decrease again in 2021-22 to 60%; however such decreases in future fiscal years’ are subject to change.

The SCFF provides minimum funding levels for credit FTES for the first fiscal year at \$3,727 for fiscal year 2018-19. For fiscal year 2019-20 the 2019-20 State Budget recalculates funding rates in the base, supplemental and student success allocations so that 70% of SCFF funds would be allocated to the base allocation. Beginning in 2020-21 those funding rates would be adjusted by COLA. Notwithstanding the foregoing, the SCFF provides higher credit FTES funding rates for certain districts, 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 2018-19, the District received a Base Allocation equal to \$190,200,550. For fiscal year 2019-20, the District has budgeted the receipt of a Base Allocation equal to \$186,092,361.

The table below shows a breakdown of the District’s historical resident FTES figures for the last ten fiscal years, and a projection for the current fiscal year.

FULL-TIME EQUIVALENT STUDENTS⁽¹⁾
Fiscal Years 2009-10 through 2019-20
San Diego Community College District

<u>Fiscal Year</u>	<u>Funded FTES</u>	<u>Unfunded FTES⁽²⁾</u>	<u>Total FTES</u>	<u>% Change</u>
2009-10	40,943	1,647	42,590	(3.53)
2010-11	41,922	2,157	44,079	3.50
2011-12	38,674	1,042	39,716	(9.90)
2012-13	39,197	165	39,362	(0.89)
2013-14	40,057	1,459	41,516	5.47
2014-15	41,968	334	42,302	1.09
2015-16	43,240	--	43,240	2.48
2016-17	44,750	--	44,750	3.49
2017-18	44,453	--	44,453	(0.66)
2018-19	41,212	--	41,212	(7.29)
2019-20 ⁽³⁾	37,800	--	37,800	(8.28)

⁽¹⁾ One FTES is equivalent to 525 student contract 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. All student hours in excess of the enrollment cap are considered “unfunded” FTES.

⁽³⁾ Budgeted.

Source: San Diego 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 receive Federal Pell Grants, a student who is granted an exemption from nonresident tuition pursuant to Section 68130.5 (AB540), and student fee waivers under California Education Code 76300 (California College Promise Grant). The SCFF provides \$919 per qualifying student for fiscal year 2018-19. Beginning in fiscal year 2019-20, the 2019-20 State Budget recalculates funding rates for supplemental allocation so that in 2019-20, 20% of the SCFF funds would be allocated for the supplemental allocation. Beginning in 2020-21 those rates would be adjusted by COLA. Headcounts are not unduplicated, such that districts will receive twice or three times as much supplemental funding for a student that falls into more than one of the aforementioned categories. For fiscal year 2018-19, the District had a duplicated headcount of 48,985 qualifying students, generating a Supplemental Allocation of approximately \$45,017,215. For fiscal year 2019-20, the District has budgeted a duplicated headcount of 42,125 qualifying students, generating a Supplemental Allocation of approximately \$40,289,176.

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, 10% in fiscal year 2019-20 and is expected to 15% in fiscal year 2020-21, and to 20% in fiscal year 2021-22; however, such increases in future fiscal years' are subject to change. Each metric is assigned a point value, with some metrics are 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.

Beginning in fiscal year 2019-20 the student success allocation will count only the highest of all awards a student earned in the same year and will only count the award if the student was enrolled in the district in the year the award was granted. The student success allocation will also calculate based on the three-year rolling average of each metric. Outcome metrics for students that qualify for Federal Pell Grants, AB 540 and California College Promise Grants are eligible for additional funding. For fiscal year 2018-19, the District received of a Student Success Allocation equal to \$20,158,644. For fiscal year 2019-20, the District has budgeted the receipt of a Student Success Allocation equal to \$20,815,816.

The District has also budgeted \$260,956,699 of Hold-Harmless Funding for 2019-20 as compared to a calculated apportionment funding of \$247,197,363 based upon FTES allocation plus the Supplemental and Student Success factors currently known, which are also subject to change by the state.

Budget Procedures

On or before September 15, the board of trustees of a community college district is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor, 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 State 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 California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify 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 full-time equivalent student 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 "SAN DIEGO COMMUNITY COLLEGE DISTRICT – General Fund Budgeting" herein for more information regarding the District's recent budgeting trends.

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

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding test ("Test 3") to calculate the annual funding guarantee. This third calculation is operative in years in which 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 California'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 Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 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 percent. Because of the major shifts of property tax from local government to school districts and community college 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 (also referred to as a “maintenance factor”) equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

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

State Assistance

The following information concerning the State’s budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. Prior to the Crossover Date, the Series B Bonds will be secured by and payable solely from monies on deposit in the Series B Bonds Series B Bonds Escrow Fund Sub-Account established therefor. The Series A Bonds, and, from and after the Crossover Date, the Series B Bonds, will be payable solely from the proceeds of an ad valorem property tax which is required to be levied by the County in an amount sufficient for the payment of the principal thereof and interest thereon. See “THE BONDS – Security and Sources of Payment” herein.

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the “2019-20 Budget”). The following information is drawn from the State Department of Finance’s summary of the 2019-20 Budget.

For fiscal year 2018-19, the 2019-20 Budget projects total general fund revenues and transfers of \$138 billion and total expenditures of \$142.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$20.7 billion, including \$5.4 billion in the traditional general fund reserve, \$14.4 billion in the BSA and \$900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projects total general fund revenues and transfers of \$143.8 billion and authorizes expenditures of \$147.8 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$18.8 billion, including \$1.4 billion in the traditional general fund reserve, \$16.5 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorizes a deposit to the PSSSA of \$376.5 million in order to comply with Proposition 2.

For fiscal year 2019-20, the Budget sets the minimum funding guarantee at \$81.1 billion. Other significant features with respect to community college funding include the following:

- *Student Centered Funding Formula* – An ongoing increase of \$254.7 million in Proposition 98 funding to support the SCFF, including (i) an increase of \$230 million to support a 3.26% COLA for total apportionment growth, and (ii) an increase of \$24.7 million to fund 0.55% of enrollment growth.

- *Settle-Up Payment* - An increase of \$686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.
- *Pension Costs* – A \$3.15 billion payment from non-Proposition 98 funds to STRS and PERS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, STRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The PERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining \$2.3 billion would be paid towards employers’ long-term unfunded liability. See also “SAN DIEGO COMMUNITY COLLEGE DISTRICT – Retirement Programs” herein.
- *Free College* - \$42.6 million in ongoing Proposition 98 funding to support a second academic year of the California College Promise to waive enrollment fees for first-time, full-time students.
- *Deferred Maintenance* – A one-time increase of \$13.5 million in Proposition 98 funding for deferred maintenance, instructional equipment and specified water conservation projects.
- *Student Support* – An ongoing increase of \$9 million in Proposition 98 funding to provide support to community college students who are homeless or are experiencing housing insecurity. The 2019-20 Budget also provides a one-time increase of \$3.9 million in Proposition 98 funding to address student basic needs, including housing and food insecurity.
- *Veterans Resources* – An ongoing increase of \$5 million in Proposition 98 funding for the establishment or enhancement of veterans resource centers at community colleges. In addition, the 2019-20 Budget also provides an increase of \$2.25 million in Proposition 98 settle-up funds to expand veterans resource centers at specified colleges.
- *Workforce Development* – A one-time increase of \$4.75 million in one-time, Proposition 98 settle-up funds to support the improvement of workforce development programs at specified community colleges.
- *Proposition 51* – a total allocation of \$535.3 million in Proposition 51 bond funds for critical fire and life safety projects at campuses statewide.

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

The information in this section concerning the operations of the District and the District’s finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. Prior to the Crossover Date, the Series B Bonds shall be secured by and payable solely from proceeds thereof deposited into the Series B Bonds Escrow Fund Sub-Account established therefor. The Series A Bonds, and from and after the Crossover Date, the Series B Bonds, shall be payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein.

Introduction

San Diego City College, now part of the District, was founded in 1914. In 1964, San Diego Mesa College was established, followed by San Diego Miramar College in 1969. Originally, the colleges were part of the San Diego Unified School District. In 1972, the voters approved separating the San Diego Community College District from the San Diego Unified School District. The District is located within the metropolitan area of the City of San Diego. The District consists of three colleges: San Diego City College, Mesa College and Miramar College, each of which is fully accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges (ACCJC), and San Diego Continuing Education, which operates at seven campuses throughout the city and is accredited by the Accrediting Commission for Schools, Western Association of Schools and Colleges (ACS). The mission of the District is to provide accessible, high quality learning experiences, and undergraduate education at an affordable price to meet the educational needs of the City of San Diego community. The District offers a comprehensive curriculum responding to needs for university transfer, technical, vocational, military and general education, remedial and developmental, special education, human development, honors, and ethnic and linguistic diversity.

Administration

The governing board of the District is called the Board of Trustees. The Board includes five Trustees elected by the voters of the District. The Trustees serve four-year terms. Elections for Trustee positions are held every two years, alternating between two and three available positions. Three students serve a one-year term filling the Student Trustee position on a rotating basis. The Student Trustee has an advisory vote on the Board. Current members of the Board, together with the date their term expires, are listed below:

<u>Name</u>	<u>Term Expires</u>
Maria Nieto Senour, Ph.D. <i>President</i>	December 2022
Sean Elo, J.D.	December 2022
Mary Graham	December 2020
Craig Milgrim	December 2022
Bernie Rhinerson	December 2020

The Chancellor of the District is appointed by the Board and reports to the Board. The Chancellor is responsible for management of the District’s day-to-day operations and supervises the work of other key administrators. Dr. Constance M. Carroll is the District’s current Chancellor. Brief biographies of the Chancellor and Executive Vice Chancellor, Business and Technology Services are included below:

Dr. Constance M. Carroll, Chancellor. Dr. Constance M. Carroll was appointed Chancellor of the District in 2004. Before assuming this role, she served as president of three community colleges: Mesa College, Saddleback College and Indian Valley Colleges. Dr. Carroll holds a bachelor’s degree in Humanities from Duquesne University, and earned her master’s degree and Ph.D. from the University of Pittsburgh in the Classics. She studied in Greece and also attended the Institute for Educational Management at Harvard University.

Dr. Bonnie Ann Dowd, Executive Vice Chancellor, Business and Technology Services. Dr. Bonnie Ann Dowd has been the Executive Vice Chancellor, Business and Technology Services of the District since 2011. Prior to joining the District, Dr. Dowd worked at Palomar Community College District for 23 years as Professor of Business and as the Assistant Superintendent/Vice President, Finance and Administrative Services. Dr. Dowd serves on several California Community College System’ state boards and workgroups which were formed to address fiscal practices and policies for the entire system including most recently having been appointed to a twelve person Student Centered Funding Formula Oversight Committee with members appointed by the Governor, Senate and Assembly. Prior to her career in education, she worked in private industry in various mid and executive management positions. Dr. Dowd is a licensed CMA (Certified Management Accountant), holds a bachelor’s degree in Accounting from the University of Houston, earned an M.B.A. with an emphasis in Finance from National University, and an Ed. D. in Leadership Studies from the University of San Diego.

Labor Relations

The District employs 686 full-time academic faculty, 902 full-time classified employees and 199 full-time classified supervisory/professional, 106 classified managers and 12 confidential employees. In addition, the District employs 2,889 part-time faculty and 1,230 short-term non-academic staff. These employees, except management, supervisory/professional, confidential and some short-term non-academic employees, are represented by the five bargaining units in the following table:

**BARGAINING UNITS
San Diego Community College District**

<u>Bargaining Unit</u>	<u>Employees</u>	<u>Expiration Date</u>
AFT Local 1931 (<i>Office Technical, M&O, Food Services, Bookstore</i>)	861	June 30, 2020
AFT Local 1931 (<i>College Faculty</i>)	567	June 30, 2018 ⁽¹⁾
Police Officers’ Association (<i>Police</i>)	41	June 30, 2017 ⁽¹⁾
AFT Local 1931 (<i>Continuing Ed Faculty</i>)	119	June 30, 2018 ⁽¹⁾
AFT Local 1931 (<i>NTTP</i>)	0	September 30, 2016 ⁽¹⁾

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

San Diego Community College Auxiliary Organization

The San Diego Community College Auxiliary Organization (the “SDCCAO”) is a nonprofit public benefit corporation formed in 1990 as an auxiliary organization of the District. The SDCCAO was established for the primary purpose of promoting and assisting the programs of the District, including granting scholarships for students at the District’s colleges. The SDCCAO distributes approximately \$323,000 in funding annually to support the campuses and District offices. The SDCCAO’s governing board consists of District faculty and administrators and the District maintains oversight responsibility for the SDCCAO. Under GASB rules, the SDCCAO’s financial statements are included in the District’s financial statements as a blended component unit. See “APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT– Note 2” attached hereto. The SDCCAO has an

endowment fund invested with the San Diego Foundation with a fund balance of \$28,228,520.75 as of June 30, 2019.

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, the Municipal Advisor, or the Underwriters.

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 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, 2019, the contribution rate for employees hired after the Implementation Date (defined below) will be 10.205%.

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

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

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

Source: AB 1469.

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

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. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Assistance" herein.

The District's contributions to STRS were \$7,306,278 in fiscal year 2014-15, \$11,176,072 in fiscal year 2015-16, \$14,444,153 in fiscal year 2016-17 and \$16,964,270 for fiscal year 2017-18. The District currently estimates \$19,348,124 for its contribution to STRS for fiscal year 2018-19, and has budgeted a contribution of \$17,401,595 to STRS in fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 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. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, and will be 20.733% of eligible salary expenditures in fiscal year 2019-20. 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 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "California Public Employees' Pension Reform Act of 2013" herein.

Pursuant to SB 90, the State Legislature appropriated \$144 for fiscal year 2019-20 and \$100 million for fiscal year 2020-21 to be transferred 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. In addition, the State Legislature appropriated \$660 million to be applied toward certain unfunded liabilities for K-14 school district employers. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Assistance" herein.

The District's contributions to PERS were \$6,875,902 in fiscal year 2014-15, \$5,424,269 in fiscal year 2015-16, \$8,671,845 in fiscal year 2016-17, and \$11,592,739 for fiscal year 2017-18. The District currently estimates \$14,697,796 for its contribution to PERS for fiscal year 2018-19, and has budgeted a contribution of \$15,039,015 to PERS in fiscal year 2019-20.

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 2017-18

<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

<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 ⁽⁵⁾	92,071	64,846	27,225	-- ⁽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⁾ On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect 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%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed and actuarial asset gains recognized from the current and prior years, the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2018 (the "2018 STRS Actuarial Valuation") reports that the unfunded actuarial obligation decreased by \$109 million since the 2017 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 64.0% over such time period.

According to the 2018 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 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% 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.

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 morality, 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.

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, 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 contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

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

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

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

As of June 30, 2018, the District's proportionate shares of the STRS and PERS net pension liabilities were \$197,907,200 and \$134,682,269, respectively. See "APPENDIX A – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT — Note 7" herein.

Designated Reserve. On December 10, 2015, the Board established a Board Designated Project Reserve Fund (the "Board Designated Reserve") to address the required increase of the District's employer contribution rates for STRS and PERS and made an initial deposit of \$23,637,781 into such fund. As of July 1, 2018 the Board Designated Reserve had a balance of approximately \$12.0 million, a portion of which was used to fund the increased costs related to employer contribution rate increases in fiscal year 2018-19 for both STRS and PERS. As of June 30, 2019, the District anticipates having approximately \$1.0 million in the Board Designate Reserve. The Board Designate Reserve has not been irrevocably pledged to the payment of the District expenses related to STRS and PERS, and may be accessed for other purposes only upon Board action. The reserve fund balance increases through an annual calculation within the collectively bargained and meet and confer agreements as defined in the District's Resource Allocation Formula ("RAF") to be used only for annual employer contribution costs incurred each year for STRS and PERS.

Other Post-Employment Benefits

Benefits Plan. The District administers a single-employer defined benefit other postemployment benefit plan (the "Plan") that provides medical and dental insurance benefits (the "Benefits") to eligible retirees and their spouses. As of the date of the Actuarial Report (as described below) there were 169 retirees and beneficiaries receiving Benefits and 2,424 eligible active members under the Plan. The District's share of retiree premium depends on classification, age, years of service and the applicable cap. For the 2019 calendar year, the cap was \$1,178.60 per months.

Funding Policy. On January 26, 2006, the District deposited \$11,000,000 into an irrevocable trust (the "Trust") with the Community College League of California – Joint Powers Authority for the pre-funding of such Benefits. For fiscal year 2015-16, the District recognized expenditures for the Benefits of \$1,330,981; for fiscal year 2016-17 the District recognized expenditures for the Benefits of \$1,389,534; for fiscal year 2017-18 the District recognized expenditures for the Benefits of \$1,521,272; and for fiscal year 2018-19 the District recognized expenditures for the Benefits of \$ 1,513,412 . For fiscal year 2019-20, the District has budgeted a expenditures for the Benefits of \$1,649,619.

The District does not make an annual contribution to the Trust. Any growth funds in the Trust in past years was the result of equity earnings. Prior to June 30, 2019, the Trust had a market value of approximately \$21 million. As of June 30, 2019, the District withdrew \$14.7 million from the Trust to reimburse the District for the Benefit costs incurred and paid by the general fund since 2007, which were eligible to be reimbursed by the Trust.

The Trust had a market value of \$6,317,784 as of July 31, 2019.

Actuarial Study. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 74") and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The District's most recent actuarial study, dated as of September 26, 2018, 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, 2018 valuation date, the District's Total OPEB Liability was \$34,245,554, its Fiduciary Net Position was \$20,293,344 and its Net OPEB Liability was \$13,952,210.

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.

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District’s financial statements for fiscal year 2016-17. GASB Statement No. 75 became effective for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. See also “APPENDIX A – The 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT — Note 9” attached hereto.

Social Security Alternative Plan

The Social Security Alternative Plan is a defined contribution plan covering most employees of the District who are not eligible for membership in PERS, STRS or another plan. Upon employment and any re-employment, part-time employees may become a member of the Social Security Alternative Plan. The Social Security Alternative Plan is an alternative plan to social security, and unit members would not contribute to social security under the Omnibus Budget Reconciliation Act of 1991.

Contributions to the Social Security Alternative Plan are shared between the employee and the District. The District contributes 3.75% of eligible wages as defined under Internal Revenue Code Service regulations, and 3.75% of eligible wages are withheld from the employee’s checks for deposit under the plan. The District’s contribution to the Social Security Alternative Plan for the fiscal years ended June 30, 2019, 2018 and 2017 were \$667,820, \$803,740 and \$744,363, respectively.

The Social Security Alternative Plan is a qualified pension plan under the Internal Revenue Code 401 and is thereby exempt from all federal income and California franchise taxes.

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 is self-insured for losses arising from public liability, auto, and property claims. Self-insurance amounts are \$100,000 per individual claim for property and \$200,000 for auto and public liability. The District is covered for losses in excess of these amounts by outside insurance carriers. The District maintains a liability insurance policy whereby the District pays the first \$200,000 per occurrence with coverage up to \$50,000,000 including excess liability. Excess liability with no self-retention between the coverage ranges of \$1-20 million. The District also maintains a crime policy with a deductible of \$2,500 with a \$5,000,000 limit. As of July 1, 2001, the District elected to be self-insured for workers' compensation claims. Currently, the District covers claims up to \$500,000 per individual claim.

See also "APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" attached hereto.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the State Education Code, is to be followed by all State community college districts. GASB Statement No. 34 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. These requirements became effective on May 15, 2002 for the District, as well as for any other governmental agency with annual revenues of between \$10 million and \$100 million. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

General Fund Budgeting

The table on the following page shows the District's combined restricted and unrestricted general fund budgets for fiscal years 2014-15 through 2019-20 and unaudited results for fiscal years 2014-15 through 2017-18.

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COMPARISON OF GENERAL FUND BUDGETS AND ACTUAL RESULTS
Fiscal Years 2014-15 through 2019-20
San Diego Community College District

	Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20
	<u>Budgeted</u> ⁽¹⁾	<u>Actual</u> ⁽¹⁾	<u>Budgeted</u> ⁽¹⁾	<u>Actual</u> ⁽¹⁾	<u>Budgeted</u> ⁽¹⁾	<u>Actual</u> ⁽¹⁾	<u>Budgeted</u> ⁽¹⁾	<u>Actual</u> ⁽²⁾	<u>Budgeted</u> ⁽¹⁾	<u>Estimated</u> ⁽²⁾	<u>Budgeted</u> ⁽³⁾
REVENUES:											
Federal Revenues	\$8,856,095	\$11,537,932	\$7,911,358	\$11,519,349	10,328,112	\$11,191,469	\$10,207,537	\$10,083,752	\$9,895,201	\$9,832,388	\$10,261,894
State Revenues	134,986,835	147,894,569	210,958,792	204,099,822	190,813,158	188,360,174	186,135,314	192,255,418	190,613,403	183,014,374	200,306,404
Local Revenues	<u>115,582,366</u>	<u>111,939,290</u>	<u>117,772,079</u>	<u>122,949,896</u>	<u>123,748,043</u>	<u>134,789,211</u>	<u>133,260,437</u>	<u>143,041,591</u>	<u>174,105,956</u>	<u>151,579,601</u>	<u>177,238,720</u>
TOTAL REVENUES	259,425,296	271,371,791	336,642,229	338,569,067	324,889,313	334,340,854	329,603,288	345,380,761	374,614,560	344,426,363	387,807,018
EXPENDITURES:											
Academic Salaries	108,871,287	110,880,579	115,450,814	123,196,677	137,048,190	138,944,103	133,042,077	136,747,994	135,347,880	136,477,458	131,307,844
Classified Salaries	67,030,683	64,886,792	70,903,234	70,522,745	77,827,718	72,159,177	84,455,891	82,593,292	88,812,611	86,787,663	83,510,655
Employee Benefits	55,432,279	53,368,062	60,073,090	65,560,339	69,073,413	77,435,274	78,254,309	85,783,872	82,452,749	83,988,790	85,319,210
Supplies and Materials	8,042,888	5,487,613	13,486,236	5,923,477	11,639,672	6,095,439	11,849,215	6,440,030	13,524,901	6,998,828	13,320,299
Other Operating Expenses and Services	43,039,812	25,139,802	52,924,443	26,377,023	47,399,230	29,957,484	45,845,885	33,324,791	49,164,603	35,905,577	49,590,343
Capital Outlay	<u>9,725,912</u>	<u>7,312,545</u>	<u>12,825,698</u>	<u>7,580,162</u>	<u>14,466,703</u>	<u>11,247,191</u>	<u>12,584,140</u>	<u>9,841,695</u>	<u>15,724,983</u>	<u>5,279,257</u>	<u>20,018,148</u>
TOTAL EXPENDITURES	292,142,861	267,075,393	325,663,515	299,160,423	357,454,926	335,838,668	366,031,517	354,731,674	385,027,727	355,437,573	383,066,499
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(32,717,565)	4,296,398	10,978,714	39,408,644	(32,565,613)	(1,497,814)	(36,428,229)	(9,350,913)	(10,413,167)	(11,011,210)	4,740,519
OTHER FINANCING SOURCES	15,652,488	5,675,514	9,475,908	5,956,714	23,629,388	17,112,435	27,383,930	16,733,868	6,084,750	43,219,647	5,813,194
OTHER OUTGO	16,796,569	6,683,515	11,042,899	7,613,089	37,794,077	37,776,369	29,241,666	18,345,175	12,910,657	36,897,615	11,699,664
NET INCREASE (DECREASE) IN FUND BALANCE	(33,861,646)	3,288,397	9,411,723	37,752,269	(46,730,302)	(22,161,748)	(38,285,965)	(10,962,220)	(17,239,074)	(4,689,178)	(1,145,951)
BEGINNING FUND BALANCE											
Net Beginning Balance, July 1	59,075,370	59,075,370	62,363,767	62,363,767	100,116,036	100,116,036	77,984,029	77,984,029	67,021,880	66,050,372	61,361,194
Prior Year Adjustments	--	--	--	--	--	29,741	--	71	--	--	--
Adjusted Beginning Balance	--	--	--	--	--	<u>100,145,777</u>	--	<u>77,984,100</u>	--	--	--
ENDING FUND BALANCE	<u>\$25,213,724</u>	<u>\$62,363,767</u>	<u>\$71,775,490</u>	<u>\$100,116,036</u>	<u>\$53,385,734</u>	<u>\$77,984,029</u>	<u>\$39,698,064</u>	<u>\$67,021,880</u>	<u>\$49,782,806</u>	<u>\$61,361,194</u>	<u>\$60,215,243</u>

⁽¹⁾ From the District's CCFS-311 Reports filed with the California Community Colleges Chancellor's Office.

⁽²⁾ Estimated actuals as of August 2019.

⁽²⁾ From the District's Tentative Budget, adopted June 13, 2019.

Source: San Diego 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 table on the following page displays the District's revenues, expenses and changes in net position for its primary governmental funds for fiscal years 2013-14 through 2017-18. See also "APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" attached hereto.

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**SUMMARY OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Fiscal Years 2013-14 through 2017-18
San Diego Community College District**

	<u>Audited Actuals 2013-14</u>	<u>Audited Actuals 2014-15</u>	<u>Audited Actuals 2015-16</u>	<u>Audited Actuals 2016-17</u>	<u>Audited Actuals 2017-18</u>
OPERATING REVENUES					
Student Tuition and Fees	\$45,029,909	\$47,852,000	\$44,655,945	\$45,572,618	\$44,531,845
Less: Scholarship discount & allowance	<u>(25,880,083)</u>	<u>(26,529,325)</u>	<u>(25,833,564)</u>	<u>(25,833,564)</u>	<u>(23,329,790)</u>
Net tuition and fees	19,149,826	21,322,675	18,822,381	19,739,054	21,202,055
Grants and Contracts, noncapital:					
Federal	11,824,020	11,618,094	11,606,578	11,265,293	65,254,479
State	26,276,253	38,956,112	10,645,851	32,210,906	35,312,892
Local	5,938,366	6,371,424	13,238,407	5,462,267	6,068,489
Auxiliary	--	--	--	--	14,660,759
Internal Service Sales and Charges	<u>14,760,599</u>	<u>15,791,908</u>	<u>16,736,800</u>	<u>15,602,911</u>	--
Total Operating Revenues	<u>77,949,064</u>	<u>94,060,213</u>	<u>71,050,017</u>	<u>84,280,431</u>	<u>142,498,674</u>
OPERATING EXPENSES					
Salaries	169,142,250	182,122,041	226,506,658	218,049,595	224,928,369
Benefits	56,642,409	55,697,549	73,591,563	97,002,349	104,845,760
Payment to students	62,684,582	65,550,246	63,105,664	--	--
Supplies, materials and other expenses	32,667,854	60,707,525	59,745,537	188,032,659	52,454,780
Financial Aid	--	--	--	63,415,131	63,629,054
Utilities	--	--	--	--	9,543,701
Depreciation	<u>21,488,169</u>	<u>28,824,837</u>	<u>34,247,223</u>	<u>41,774,453</u>	<u>41,003,217</u>
Total Operating Expenses	<u>342,625,264</u>	<u>392,902,198</u>	<u>457,196,645</u>	<u>608,274,187</u>	<u>496,404,881</u>
Operating income (loss)	<u>(264,676,200)</u>	<u>(298,841,985)</u>	<u>(386,146,628)</u>	<u>(523,993,756)</u>	<u>(353,906,207)</u>
NONOPERATING REVENUES (EXPENSES)					
Federal revenue, noncapital	59,511,474	61,652,111	57,949,794	56,262,936	--
State apportionment, noncapital	64,436,361	70,492,960	126,522,444	144,702,098	123,630,560
Local revenue, non-capital	--	--	--	172,174,236	--
Local property taxes	170,503,333	157,682,277	160,239,808	205,489,418	112,305,872
State taxes and other revenues	38,703,682	52,340,064	82,575,147	22,206,029	48,705,006
Investment income, noncapital	433,584	727,370	1,369,337	2,851,509	3,360,319
Interest expense	<u>(73,814,823)</u>	<u>(51,595,497)</u>	<u>(52,085,875)</u>	<u>(155,393,436)</u>	<u>(72,166,911)</u>
Other financing sources	--	7,466,476	561,797	(85,721,036)	--
Other nonoperating revenue	--	--	--	--	10,148,666
Total Nonoperating Revenues (Expenses)	<u>259,773,611</u>	<u>298,765,761</u>	<u>377,132,452</u>	<u>362,571,754</u>	<u>225,983,512</u>
GAIN/(LOSS) BEFORE OTHER REVENUES AND GAINS/(LOSSES)	<u>(4,902,589)</u>	<u>(76,224)</u>	<u>(9,014,176)</u>	<u>(161,422,002)</u>	<u>(127,922,695)</u>
OTHER REVENUES AND GAINS/(LOSSES)					
State apportionments, capital	--	--	--	--	1,625,914
Local property taxes and revenues, capital	4,799	20	20	--	82,476,637
Investment gain/loss, capital	1,350,336	896,705	684,291	(652,034)	--
Investment income, capital	--	--	--	--	695,939
Total Other Revenues And Gains/(Losses)	<u>1,355,135</u>	<u>896,725</u>	<u>684,311</u>	<u>(652,034)</u>	<u>84,798,490</u>
CHANGE IN NET POSITION	<u>(3,547,454)</u>	<u>820,501</u>	<u>(8,329,865)</u>	<u>(162,074,036)</u>	<u>(43,124,205)</u>
BEGINNING NET POSITION	<u>274,975,537</u>	<u>253,048,693</u>	<u>42,304,137</u>	<u>33,974,272</u>	<u>(128,099,764)</u>
Prior period adjustments	--	--	--	--	112,757,888 ⁽³⁾
Cumulative effect of change in accounting principle	--	--	--	--	(12,842,765) ⁽⁴⁾
RESTATEMENT	<u>(18,379,390)⁽¹⁾</u>	<u>(211,565,057)⁽²⁾</u>	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION, AS RESTATED	<u>256,596,147</u>	<u>41,483,636</u>	<u>--</u>	<u>--</u>	<u>(28,184,641)</u>
ENDING NET POSITION	<u>\$253,048,693</u>	<u>\$42,304,137</u>	<u>\$33,974,272</u>	<u>\$(128,099,764)</u>	<u>\$71,308,846</u>

⁽¹⁾ The beginning net position has been restated in order to reflect the elimination of amortization of debt issuance costs in accordance with GASB Statement No. 65, Items Previously Reported as Assets and Liabilities and to account for accreted interest on capital appreciation bonds and premiums on bond issuances that were not previously recognized.

⁽²⁾ The beginning net position has been restated in order to reflect the District implementation of GASB Statement No. 68, Accounting and Financial Reporting of Pensions. See also “ – Retirement Programs – GASB Statement Nos. 67 and 68” herein.

⁽³⁾ The beginning net position has been restated by an increase of \$112,757,888 as a result of errors in prior periods related to capital assets and long-term debt. For information regarding the errors, see “APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14” herein.

⁽⁴⁾ The beginning net position has been restated in order to reflect the District’s implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Other than Pensions. See also “ –Other Post-Employment Benefits– GASB Statement Nos. 74 and 75” and “APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14” herein.

Source: San Diego Community College District.

District Debt Structure

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

Long-Term Debt. General long-term debt of the District as of June 30, 2018 consisted of the following:

	<u>Balance July 1, 2017⁽¹⁾</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>
Long-Term Obligations				
General Obligation Bonds	\$1,408,507,519	\$11,591,274	\$25,342,430	\$1,394,756,363
Premium, net of amortization	<u>158,757,826</u>	<u>--</u>	<u>9,377,519</u>	<u>149,380,307</u>
Total Bonds and Notes Payable	<u>1,567,265,345</u>	<u>11,591,274</u>	<u>34,719,949</u>	<u>1,544,136,670</u>
Compensated absences	13,373,717	4,925,251	5,838,511	12,460,457
	4,079,996	950,327	233,692	4,796,631
OPEB liability	14,263,818	--	311,608	13,952,210
Medicare Premium Program	--	824,587	--	824,587
Net pension liability	<u>274,603,466</u>	<u>57,986,003</u>	<u>-</u>	<u>332,589,469</u>
Total Other Liabilities	<u>306,320,997</u>	<u>64,686,168</u>	<u>6,383,811</u>	<u>364,623,354</u>
Total Long Term Debt	<u>\$1,873,586,342</u>	<u>\$76,277,442</u>	<u>\$41,103,760</u>	<u>\$1,908,760,024</u>

⁽¹⁾ The beginning net position has been restated by an increase of \$112,757,888 as a result of errors in prior periods related to capital assets and long-term debt. For information regarding the errors, see "APPENDIX A – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14" herein.

General Obligation Bonds. The District's General Obligation, Election of 2002, Series 2003A Bonds were issued on September 3, 2003, in the aggregate principal amount of \$105,000,000. The District's General Obligation, Election of 2002, Series 2005 Bonds were issued on October 26, 2005, in the aggregate principal amount of \$244,999,900.80. The District's General Obligation Bonds, Election of 2006, Series 2007 were issued on August 2, 2007 in the aggregate principal amount of \$224,996,823.10. The District's General Obligation Bonds, Election of 2002, Series 2009 were issued on May 13, 2009, in the aggregate principal amount of \$131,293,505.60. The District's General Obligation Bonds, Election of 2002, Series 2011 were issued on July 7, 2011 in the aggregate principal amount of \$99,999,858.60. The District's General Obligation Bonds, Election of 2006, Series 2011 were issued on July 7, 2011 in the aggregate principal amount of \$250,000,000. The District's General Obligation Bonds, Election of 2002, Series 2013 were issued on July 30, 2013 in the aggregate principal amount of \$103,705,000. The District's General Obligation Bonds, Election of 2006, Series 2013 were also issued on July 30, 2013, in the aggregate principal amount of \$272,996,021.90. The District's General Obligation Bonds, Election of 2006, Series 2016 were issued on September 3, 2016 in the aggregate principal amount of \$122,005,000.

The District issued its 2011 General Obligation Refunding Bonds on July 7, 2011 in the aggregate principal amount of \$22,230,000 to advance refund a portion of the District's Election of 2002, Series 2003A Bonds. The District issued its 2012 General Obligation Refunding Bonds on March 22, 2012 in the aggregate principal amount of \$279,755,000 to advance refund a portion of the District's outstanding Election of 2002, Series 2003A Bonds, advance refund a portion of the District's outstanding Election of 2002, Series 2005 Bonds, and advance refund a portion of the District's outstanding Election of 2006, Series 2007 Bonds. The District issued its 2016 General Obligation Refunding Bonds on September 3, 2016 in the aggregate principal amount of \$504,030,000 to advance refund a portion of the District's outstanding General Obligation Bonds, Election of 2006, Series 2007, General Obligation Bonds, Election of 2002, Series 2009, General Obligation Bonds, Election of 2002, Series 2011 and General Obligation Bonds, Election of 2006, Series 2011.

The following table displays the annual debt service requirements of the District for all outstanding general obligation bonds, including the Bonds:

Year Ending (August 1)	Election of 2002 Series 2009	Election of 2002 Series 2011	Election of 2006 Series 2011	2011 Refunding Bonds⁽¹⁾	2012 Refunding Bonds⁽¹⁾	Election of 2002 Series 2013⁽¹⁾	Election of 2006 Series 2013⁽¹⁾⁽²⁾	Election of 2006 Series 2016	2016 Refunding Bonds	The Bonds⁽³⁾	Total Annual Debt Service
2020	\$3,292,800.00	\$1,114,687.50	\$4,878,750.00	\$ 2,508,100.00	\$20,711,425.00	\$747,025.00	\$1,765,000.00	\$6,927,050.00	\$23,369,850.00	\$25,914,999.00	\$91,229,686.50
2021	3,292,800.00	1,643,437.50	5,764,500.00	2,611,500.00	21,917,925.00	1,224,350.00	2,250,000.00	7,153,100.00	23,370,350.00	25,967,415.86	95,195,378.36
2022	3,292,800.00	--	--	--	23,186,575.00	1,674,350.00	2,760,000.00	7,387,500.00	32,055,350.00	28,579,899.36	98,936,474.36
2023	3,292,800.00	--	--	--	48,125.00	2,389,350.00	3,280,000.00	7,633,100.00	33,610,600.00	51,404,270.56	101,658,245.56
2024	3,292,800.00	--	--	--	48,125.00	20,600.00	5,740,000.00	10,253,900.00	44,525,850.00	42,603,863.96	106,485,138.96
2025	3,292,800.00	--	--	--	48,125.00	--	7,860,000.00	10,036,900.00	42,728,100.00	46,969,141.16	110,935,066.16
2026	3,292,800.00	--	--	--	48,125.00	--	9,585,000.00	10,310,150.00	43,889,350.00	48,570,551.56	115,695,976.56
2027	3,292,800.00	--	--	--	1,798,125.00	--	11,390,000.00	10,608,900.00	45,088,350.00	49,226,424.36	121,404,599.36
2028	3,292,800.00	--	--	--	--	--	13,295,000.00	10,911,100.00	46,332,600.00	54,075,418.52	127,906,918.52
2029	3,292,800.00	--	--	--	--	--	15,290,000.00	11,234,100.00	49,188,850.00	55,484,633.22	134,490,383.22
2030	3,292,800.00	--	--	--	--	--	17,400,000.00	11,571,100.00	50,840,100.00	57,045,788.42	140,149,788.42
2031	3,292,800.00	--	--	--	--	--	19,605,000.00	11,920,500.00	82,175,850.00	34,381,077.00	151,375,227.00
2032	3,292,800.00	--	--	--	--	--	21,935,000.00	12,275,700.00	86,663,600.00	35,401,623.86	159,568,723.86
2033	58,172,800.00	--	--	--	--	--	44,676,753.00	11,105,300.00	28,569,000.00	39,587,452.50	182,111,305.50
2034	--	11,415,000.00	--	--	--	--	41,544,597.50	17,746,900.00	17,354,000.00	37,196,799.76	125,257,297.26
2035	--	11,435,000.00	--	--	--	--	41,542,793.00	--	17,406,400.00	37,196,018.20	107,580,211.20
2036	--	11,460,000.00	--	--	--	--	41,541,636.00	--	17,462,000.00	37,193,318.80	107,656,954.80
2037	--	11,485,000.00	--	--	--	--	41,544,585.00	--	17,519,800.00	37,190,600.60	107,739,985.60
2038	--	11,510,000.00	--	--	--	--	41,544,475.50	--	17,573,800.00	37,191,868.80	107,820,144.30
2039	--	11,525,000.00	--	--	--	--	41,544,143.00	--	17,630,000.00	37,190,961.80	107,890,104.80
2040	--	11,550,000.00	--	--	--	--	41,540,800.00	--	17,687,200.00	37,191,884.80	107,969,884.80
2041	--	11,575,000.00	--	--	--	--	7,781,347.50	--	17,739,200.00	41,163,476.20	78,259,023.70
2042	--	--	--	--	--	--	--	--	--	42,061,969.20	42,061,969.20
2043	--	--	--	--	--	--	--	--	--	42,062,918.80	42,062,918.80
Total	<u>\$100,979,200.00</u>	<u>\$94,713,125.00</u>	<u>\$10,643,250.00</u>	<u>\$5,119,600.00</u>	<u>\$67,806,550.00</u>	<u>\$6,055,675.00</u>	<u>\$475,416,130.50</u>	<u>\$157,075,300.00</u>	<u>\$772,780,200.00</u>	<u>\$980,852,376.30</u>	<u>\$2,671,441,406.80</u>

⁽¹⁾ Excludes debt service to be refunded with proceeds of the Series A Bonds.

⁽²⁾ Includes debt service on the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds expected to be refinanced with proceeds of the Series B Bonds. Prior to the Crossover Date, the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds will continue to be obligations of the District payable solely from ad valorem property taxes. See "REFUNDING PLAN" and "THE BONDS – Security and Sources of Payment" herein.

⁽³⁾ Prior to the Crossover Date, the interest on the Series B Bonds are secured by and payable solely from the proceeds thereof on deposit in the Series B Bonds Escrow Fund Sub-Account. See "THE BONDS – Security and Sources of Payment" herein.

Operating Lease. The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of the agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days with written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration. Future minimum lease payments under the agreements are as follows:

<u>Year Ending June 30</u>	<u>Lease Payment</u>
2019	\$232,612
2020	203,159
2021	204,170
2022	103,074
2023	<u>65,967</u>
Total:	\$808,982

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

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 the same 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 the Owner of a Bond will increase the Owner's basis in the Bond. Owners of Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Bonds.

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 a 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) and is deductible 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.

The federal tax and State of California personal income tax discussion set forth above with respect to the Bonds is included for general information only and may not be applicable depending upon an Owner's particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest with respect to the 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 Bonds is attached hereto as APPENDIX B.

LIMITATION ON REMEDIES; BANKRUPTCY

General

State law contains certain safeguards to protect the financial solvency of community college districts. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA” herein. If the safeguards are not successful in preventing a community college district from becoming insolvent, the State Chancellor and the Board of Governors, operating through a special trustee appointed by the State Chancellor, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) on behalf of the community college district for the adjustment of its debts. In addition, an insolvent community college district may be able to file a petition under Chapter 9 before a special trustee is appointed. Prior to such petition, if any, the community college district is required to participate in a neutral evaluation process with interested parties as provided in the Government Code or declare a fiscal emergency and adopt a resolution by a majority vote of the governing board that includes findings that the financial state of the community college district jeopardizes the health, safety, or well-being of the residents of its jurisdiction or service area absent the protections of Chapter 9.

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

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the District or the Board, and is valid and binding from the time the Bonds are executed and delivered. See “THE BONDS – 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 fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County’s investment pool, as described in “REFUNDING PLAN” and “APPENDIX E – SAN DIEGO COUNTY INVESTMENT POOL” herein. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor’s Rights

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

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (the District’s fiscal year ends on June 30), commencing with the report for the 2018-19 fiscal year (which is due not later than April 1, 2020), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in the form of Continuing Disclosure Certificate attached hereto as Appendix C. These covenants have been made in order to assist the Underwriters in complying with the Rule.

Prior Undertakings. The District has, in the past five years, failed to file in a timely manner the annual reports or portions of the annual reports for fiscal year 2013-14, and notice of certain listed events, as required by prior continuing disclosure undertakings. Within the past five years, and in connection with

the aforementioned annual reports, the District has never filed a notice of a failure to provide annual financial information, on or before the date specified in its prior continuing disclosure undertakings.

Legality for Investment in California

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

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes 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 Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

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

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 Underwriters (defined herein) relating to (a) the adequacy of the moneys in the Series A Bonds Escrow Fund Sub-Account, together with any moneys held therein as cash, to pay the redemption price of the Refunded 2011 Refunding Bonds, Refunded 2012 Refunding Bonds, Refunded 2002 Series 2013 Bonds, and Refunded 2006 Series 2013 Current Interest Bonds and (b) the adequacy of the moneys In the Series B Bonds Escrow Fund Sub-Account, together with any moneys held therein as cash, to pay the debt service due on the Series B Bonds prior to the Crossover Date and the redemption price of and interest on the Refunded 2006 Series 2013 Capital Appreciation Bonds and Refunded 2006 Series 2013 Convertible Capital Appreciation Bonds.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2018, 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 6, 2018 of Clifton Larson Allen LLP (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

Moody's and S&P have assigned ratings of "Aaa" and "AAA", respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, as follows: S&P, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553 0300 and Moody's, at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

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

UNDERWRITING

RBC Capital Markets, LLC (the "Representative") on behalf of itself, and Citigroup Global Markets Inc. (together, the "Underwriters") has agreed to purchase (i) the Series A Bonds at a price of \$436,541,613.75, which is equal to the initial principal amount of the Series A Bonds of \$437,965,000.00, less the Underwriters' discount of \$1,423,386.25, and (ii) the Series B Bonds at a price of \$254,639,722.50, which is equal to the initial principal amount of the Series B Bonds of \$255,470,000.00 less the Underwriters' discount of \$830,277.50. The Purchase Contract for the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover. The offering prices may be changed from time to time by the Underwriters.

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

The RBC Capital Markets, LLC and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the RBC Capital Markets, LLC and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The RBC Capital Markets, LLC and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District. The RBC Capital Markets, LLC and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The RBC Capital Markets, LLC and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District; provided, however, that potential investors are advised that the offering of the Bonds is made only by means of the Official Statement. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than as contained in the Official Statement.

RBC Capital Markets, LLC made a voluntary contribution to the committee that was formed to support the election that authorized the issuance of the bonds to be refunded.

Citigroup Global Markets Inc. (“CGMI”) has entered into a distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates “Fidelity”) for the distribution to retail investors of certain municipal securities offerings. CGMI will share a portion of its underwriting compensation with Fidelity with respect to any Bonds that are allocated to retail orders submitted by it. Any such sharing will not affect the aggregate underwriting compensation set forth above or CGMI’s share of such compensation.

ADDITIONAL INFORMATION

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.

All of the data contained herein about the District 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. This Official Statement has been approved by the District's Board of Trustees.

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.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

By /s/ Dr. Bonnie Ann Dowd
Executive Vice Chancellor, Business and
Technology Services

APPENDIX A
THE 2017-18 AUDITED FINANCIAL STATEMENTS OF
THE DISTRICT

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SAN DIEGO COMMUNITY COLLEGE DISTRICT

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2018**



SAN DIEGO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

June 30, 2018

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS	i
BASIC FINANCIAL STATEMENTS	1
Statement of Net Position	2
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Statement of Plan Net Position	9
Statement of Changes in Plan Net Position	10
NOTES TO THE FINANCIAL STATEMENTS	11
REQUIRED SUPPLEMENTARY INFORMATION	52
Schedule of the District's Proportionate Share of the Net Pension Liability	53
Schedule of the District's Contributions	54
Schedule of Changes in the Net OPEB Liability	55
Schedule of Postemployment Healthcare Benefit Contributions.....	56
Notes to the Required Supplementary Information	57
SUPPLEMENTARY INFORMATION	58
History and Organization	59
Schedule of Expenditures of Federal Awards.....	60
Schedule of State Financial Assistance - Grants.....	62
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	63
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements	64
Reconciliation of 50 Percent Law Calculation	66
Education Protection Account Expenditure Report.....	67
Notes to the Supplementary Information.....	68
OTHER INDEPENDENT AUDITOR'S REPORTS	70
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	71

SAN DIEGO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

June 30, 2018

Independent Auditor's Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance	73
Independent Auditor's Report on State Compliance	76
FINDINGS AND QUESTIONED COSTS	78
Schedule of Findings and Questioned Costs – Summary of Auditor Results.....	79
Schedule of Findings and Questioned Costs Related to the Financial Statements.....	81
Schedule of Findings and Questioned Costs – Related to Federal Awards.....	83
Schedule of Findings and Questioned Costs – Related to State Awards.....	85
Schedule of Prior Year Findings and Questioned Costs Related to Financial Statements, Federal, or State Awards	86



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Diego Community College District
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the San Diego Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the San Diego Community College District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Changes in Accounting Principles

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. As a result of the implementation of Statement No. 75, the District reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to the restatement.

Correction of Errors

As described in Note 14 to the financial statements, the entity identified errors in amounts recorded for capital assets and long-term debt in prior years. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information schedules as listed in the aforementioned table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary section, including the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
December 6, 2018

SAN DIEGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2018

FINANCIAL HIGHLIGHTS FOR 2017-18

- The 2017-18 State Budget Act once again provided an increased investment in California community colleges to improve upon student access and success with a renewed focus on equity for all students particularly those historically underrepresented.
- Furthermore, fiscal year 2017-18 had the state aggressively developing a new funding model for California community colleges, to replace a decades old 100% access/growth apportionment funded model, which includes performance funding and due to be in effect as of July 1, 2018 for fiscal year 2018-19.
- The 2017-18 State Budget Act included \$97 million statewide for a 1.56 percent COLA (cost of living adjustment), which is projected to be \$ 3.7 million for SDCCD.
- Also included in the state budget was \$57.8 million in enrollment access/growth funding, which made SDCCD eligible to achieve approximately \$2 million of what was provided in the state budget for student enrollment growth.
- The state budget included \$183.6 million to address growing operational costs intended to assist districts with addressing employer pension rate increases, employee benefit costs and other general operational increases. SDCCD anticipates receiving approximately \$6.6 million in 2018-19.
- SDCCD's Board of Trustees established a Designated Project Reserve Fund in 2015 to offset the annual increase costs to the CalSTRS/PERS employer contribution rates, which was imposed by both pension systems in 2013-14. The rate increases will more than double the employer's pension related operating costs by 2020-21. During 2017-18, \$2.4 million of one-time RAF (Resource Allocation Formula) funds were transferred into this reserve along with another \$583 thousand in continuous dollars.
- The District met all of its repayment obligations for Prop S and Prop N General Obligation Bonds, which continues to wind-down.
- The District also met or exceeded all federal and state mandate requirements including the 50% Law and Faculty Obligation Numbers (FON).

DISTRICT BACKGROUND

The California Community College system is comprised of 72 districts, 115 colleges, and 69 approved Education Centers serving 2.1 million students. San Diego Community College District (the "District") is one of five Community College districts located in San Diego County. The District is located within the metropolitan area of the city of San Diego and consists of three colleges: San Diego City College, Mesa College, and Miramar College and San Diego Continuing Education which operates at seven campuses.

The mission of the District is to provide accessible, high quality learning experiences to meet the educational needs of the San Diego community served. The District offers a comprehensive curriculum responding to needs for university transfers, technical, vocational, military and general education, remediation and development, special education, human development, honors, and ethnic and linguistic diversity. The District also provides comprehensive support services, including counseling, financial aid, health services, tutoring, career planning and placement,

SAN DIEGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2018

child care, transfer centers, disabled student services and extended opportunities programs and services. As of 2016 the District offers a bachelor's degree at Mesa College in Health Information Management, which is one of only 15 community colleges system-wide approved to offer a bachelor's degree under a state piloted program.

DISTRICT BACKGROUND (continued)

Based upon enrollment, the District is the second largest community college district in California and the sixth largest in the United States. California residents paid an enrollment fee of \$46 per credit unit during the 2017-18 academic year. Out-of-state residents paid the enrollment fee plus tuition fees of \$211 per credit, while the baccalaureate tuition surcharge is \$84 per credit plus the applicable enrollment fee for resident and non-resident students.

The District has transfer agreements with the California State University and University of California systems, and the instructional coursework offered in transferable courses fully prepares students to succeed in four-year colleges and universities.

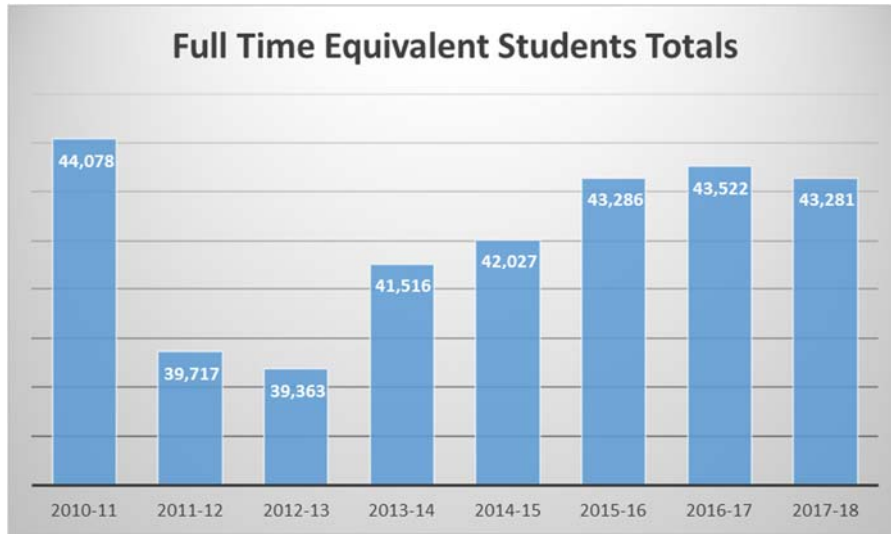
ENROLLMENT HIGHLIGHTS

The state's economy has consistently improved since funding for community colleges significantly improved as a result of the passage by voters in November 2012 of Proposition 30, which resulted in an increase to the state sales and income tax rates. Proposition 30 was scheduled to sunset after seven years; however, in November 2016, voters approved Proposition 55 which provided for the continuation of the income tax rate increase with the majority of the funding going towards education through 2030. The District's FTES (full-time equivalent students) target for 2017-18 was 44,787 FTES, which if earned and funded would result in a 1.50% or 672 FTES increase over 2016-17. However, student enrollments declined throughout the system in 2017-18 with funded FTES at the colleges and Continuing Educations for the year at 43,281 FTES. Actual funded FTES for 2017-18 will not be known until February or March 2019 when the state releases the final "Recal" reports for all 72 districts. A history of student enrollments is provided in the table on the following page.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

FULL TIME EQUIVALENT STUDENTS



ENROLLMENT HIGHLIGHTS (continued)

Under the current state funding model, the amount of FTES funding a district receives is contingent on how much growth funding is available both system and district-wide in the state approved budget for all of the community college districts and the amount of FTES actually served by a district. The funding available for growth for districts can vary throughout a year depending on several factors; and, is subject to change until the state finalizes all apportionment reporting for a given fiscal year. Consequently, the final funded FTES is not confirmed at the District level until February or March of the year after a fiscal year has ended (for 2017-18 would be February or March 2019), when all of the final FTES served system-wide have been reported by the 72 districts and calculated within the constraints of the state approved budget.

Community college enrollments normally fluctuate with unemployment rates. When unemployment is high, people rush to community colleges to prepare for new or improved careers and jobs, thereby boosting enrollments. When the employment situation improves, and people are able to find employment, community college enrollments usually falter or decrease. With an improved employment picture in California, which began in FY 2015-16, including San Diego, nearly half of the California community college districts continued to fall below their base enrollment levels. In spite of strong enrollment management planning at the District based upon smart course scheduling, flexible offerings, great institutional reputations, outstanding academic programs and faculty, and effective community outreach, the District also experienced declining student enrollment as a result of the strong economic conditions in the region, which had students enrolling in less courses each semester. Under the current funding model, districts are not funded based upon individual students (i.e., head count) but rather on a 100% apportionment based state funding tied to an FTES calculation, which is based upon a full-time class load of 15 units or 5, 3-unit class sections.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2018

The District uses the Business-Type Activity (BTA) model in which financial reports are generated using the full accrual basis of accounting. The California Community College Chancellor's Office through its Fiscal Standards and Accountability Committee, recommends that all community college districts implement the reporting standards under the BTA model. To comply with the recommendations of the Chancellor's Office and to report in a manner consistent with other California Community College Districts, the District adopted the BTA reporting model for its financial statement reporting.

As required by the Governmental Accounting Standards Board (GASB) reporting standards, the annual report consists of three basic financial statements that provide information on the District as a whole:

- The Statement of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

Each of these statements, along with other selected financial statement summaries, will be described herewith and also will include comparisons between the prior and current year, along with selected highlighted information relevant to each statement presented.

STATEMENT OF NET POSITION

The Statement of Net Position presents the Assets, Liabilities, and Net Position of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to that used by most private-sector institutions. Net position—the difference between assets and liabilities—is one way to measure the financial health of the District. The net asset data allows readers to determine the resources available to continue the operations of the District. During the 2017-18 independent audit it was determined by the external auditors that the Net Position as of July 1, 2017 was understated by approximately \$112 million, the majority of which was related to a refunding of General Obligation Bonds, which was not properly reported in fiscal year 2016-17. Net Position restated as of July 1, 2017 was (\$28,184,641) while the changes in Net Position were (\$43,124,205) for an ending Net Position of (\$71,308,846) as of June 30, 2018.

The Net Position of the District consists of three major categories:

1. Invested in capital assets, net of related debt – the District's equity in property, plant, and equipment.
2. Restricted Net Position (distinguished between major categories of restriction) – the constraints placed on the use of the assets are externally imposed by creditors such as through debt covenants, grantors, contributors, laws or regulations of other governments, or imposed through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – the District can use for any lawful purpose. Although unrestricted, the District's governing board may place internal restrictions on this Net Position, but it retains the power to change, remove, or modify those restrictions.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2018

	<u>2018</u>	<u>2017*</u>	<u>Net Change</u>
Assets			
Current assets	\$ 174,371	\$ 271,516	\$ (97,145)
Non-current assets	1,598,630	1,589,372	9,258
Total Assets	<u>1,773,001</u>	<u>1,860,888</u>	<u>(87,887)</u>
Deferred Outflows of Resources	<u>148,681</u>	<u>58,893</u>	<u>89,788</u>
Liabilities			
Current liabilities	96,561	101,397	(4,836)
Non-current liabilities	1,873,587	1,923,296	(49,709)
Total Liabilities	<u>1,970,148</u>	<u>2,024,693</u>	<u>(54,545)</u>
Deferred Inflows of Resources	<u>22,843</u>	<u>23,187</u>	<u>(344)</u>
Net Position			
Net investment in capital assets	99,777	(7,352)	107,129
Restricted	125,508	101,347	24,161
Unrestricted	(296,594)	(222,095)	(74,499)
Total Net Position	<u>\$ (71,309)</u>	<u>\$ (128,100)</u>	<u>\$ 56,791</u>

* Amounts have not been restated for errors noted in prior years (see Note 14)

ASSETS

The District's assets consist of current assets including cash, investments and net accounts receivable. These assets are resources with present capability to enable the District to provide services and continue its operations. Current assets decreased by \$97.0 million primarily due to continued expenditures of the Proposition N Building Fund. Non-current assets include capital assets net of accumulated depreciation and restricted cash.

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources include amounts associated with the refunding of debt and pension contributions made during the fiscal year that are removed from expenses.

LIABILITIES

The liabilities of the District consist of current liabilities and non-current liabilities. The major components of the current liabilities are the current portion of outstanding General Obligation Bond debt and related accrued interest payable within one year, accrued payroll and amounts payable to vendors.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

Non-current liabilities are debt with maturities of more than one year, which consist of General Obligation Bond repayments, compensated absences payable, net OPEB obligation, and aggregate net pension liability.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent pension costs, resulting from the difference between projected and actual earnings on pension plan investments. This amount is deferred and amortized over five years.

NET POSITION

The total net position is one indicator of the District's financial health. Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position during fiscal year 2017-18. The change in net position reveals whether the overall financial condition has improved or worsened during the year. Over time, increases or decreases in net position will point out the improvement or erosion of the District's financial health when considered with nonfinancial facts, such as enrollment levels, State changes in funding, facility changes, etc.

Net position represents residual District assets and deferred outflows after liabilities and deferred inflows are deducted. The net position is categorized between net investment in capital assets, restricted net assets, and unrestricted net assets. The net investment in capital assets represents the equity amount in property, plant, and equipment owned by the District. Restricted net position represents funds that are limited in terms of the purpose and time for which the funds can be spent. It is subject to externally imposed restrictions governing their use. Unrestricted net position is defined by GASB Statements No. 34 and

No. 35 as those assets that do not have external legal restrictions against them, including any amounts designated by the Governing Board.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, and the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Changes in total Net Position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce

SAN DIEGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2018

the goods and services provided in return for the operating revenues, and to carry out the mission of the District.

Operating Revenues	2018	2017*	\$ Change	% Change
Net tuition & fees	\$ 21,202	\$ 19,739	\$ 1,463	7%
Grants and contracts, non-capital	106,636	101,011	5,625	6%
Auxiliary enterprise, net	14,661	15,287	(626)	-4.09%
Total Operating Revenues	142,499	136,037	6,462	4.75%
Operating Expenses				
Salaries	224,928	218,050	6,878	3%
Benefits	104,846	97,002	7,844	8%
Supplies, materials, & other operating expenses	52,455	178,631	(126,176)	-71%
Financial Aid	63,629	63,415	214	0%
Utilities	9,544	9,402	142	2%
Depreciation	41,003	41,774	(771)	-1.85%
Total Operating Expenses	496,405	608,274	(111,869)	-18.39%
Operating Loss	(353,906)	(472,237)	118,331	-25%
Nonoperating Revenues (Expenses)				
State apportionment, non-capital	123,631	120,266	3,365	3%
Local property taxes	112,306	106,859	5,447	5%
State taxes & other revenues	48,705	47,327	1,378	3%
Investment income(loss) - noncapital	3,360	2,526	834	33.02%
Interest expense	(72,167)	(70,291)	(1,876)	2.67%
Other nonoperating revenue	10,149	41,472	(31,323)	-75.53%
Total Nonoperating Revenues (Expenses)	225,984	248,159	(22,175)	-8.94%
Gain Before Capital Revenues	(127,922)	(224,078)	96,156	-43%
Capital Revenues	84,798	62,004	22,794	36.76%
Change in Net Position	\$ (43,124)	\$ (162,074)	\$ 118,950	-73.39%

* Amounts have not been restated for errors noted in prior years (see Note 14)

OPERATING REVENUES AND EXPENSES

Generally, operating revenues are earned for providing educational and programmatic services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire goods or provide services in return for the operating revenues used to fulfill the mission of the District.

The operating revenues are generated by the resident enrollment fees, non-resident, and out-of-State tuition paid by students, including fees such as health fees, parking fees, and other related fees. Since State apportionments, property taxes, sales taxes and other revenues, and investment

SAN DIEGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2018

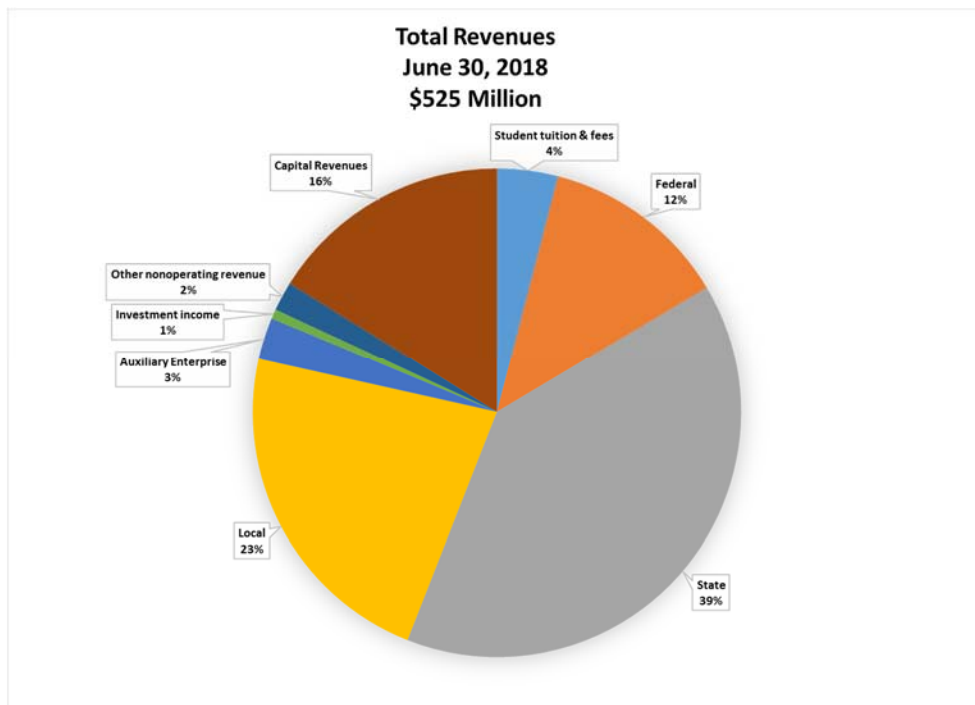
income are prescribed by GASB as not operating revenues; operating expenses generally exceeds operating revenues in the Statement of Revenue, Expenses, and Changes in Net Position.

The primary operating expenses of the District are for the salaries and benefits of academic, classified, and administrative personnel, comprising the total operating expenses from a District-wide full accrual perspective. This amount includes the activity from all District funds. These costs decreased from the previous fiscal year, from \$608 million to \$496 million.

NON-OPERATING REVENUES AND OTHER REVENUES

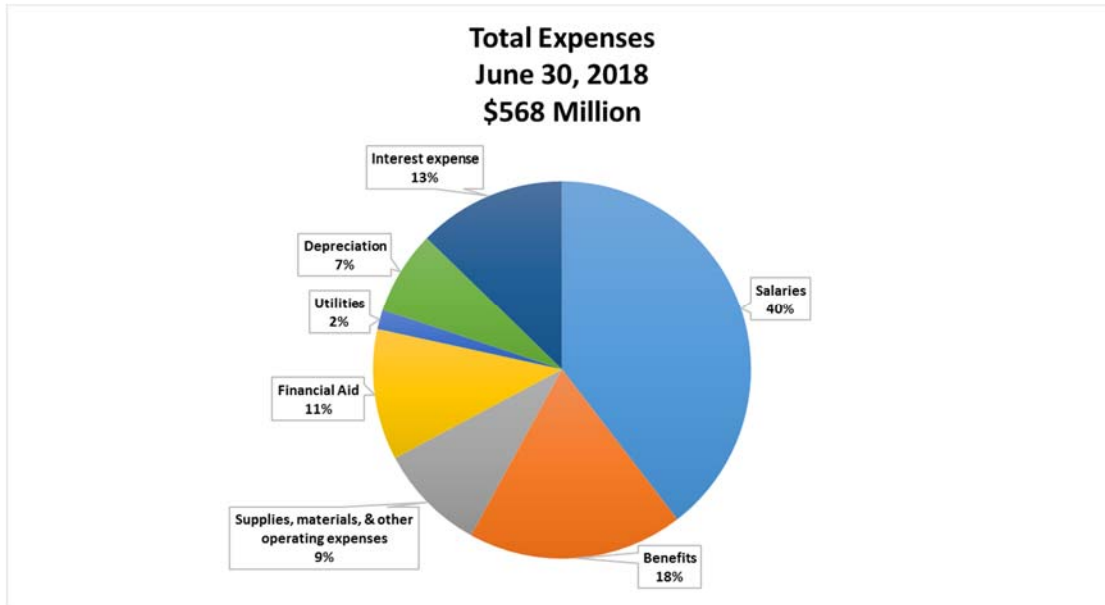
Non-operating revenues and other State and local revenues are those received or pledged for which goods and services are not provided to the entity providing the revenues. For example, State appropriations are non-operating revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues. Total non-operating revenues or expenses are an integral component in determining the increases or decreases in net position.

The following two graphs depict total revenues and expenses for all funds on a modified accrual basis of accounting.



SAN DIEGO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**



STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the District’s financial results by reporting its major sources and uses of cash. This information assists readers in assessing the District’s ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third section deals with cash flows from capital and related financing activities. This section deal with cash flows from investing activities and reflects the cash received and spent for short-term investments and any interest paid or received on those investments.

	<u>2018</u>	<u>2017*</u>	<u>Net Change</u>	<u>% Change</u>
Net cash provided (used) by:				
Operating activities	\$ (321,896)	\$ (476,042)	\$ 154,146	-32%
Non-capital financing activities	294,790	428,660	(133,870)	-31%
Capital and related financing activities	(96,220)	49,319	(145,539)	-295%
Investment activities	3,360	2,852	508	17.81%
Net increase in cash	(119,966)	4,789	(124,755)	-2605%
Cash - beginning of the year	<u>372,180</u>	<u>245,478</u>	<u>126,702</u>	<u>51.61%</u>
Cash - end of the year	<u>\$ 252,214</u>	<u>\$ 250,267</u>	<u>\$ 1,947</u>	<u>0.78%</u>

* Amounts have not been restated for errors noted in prior years (see Note 14)

SAN DIEGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2018

CAPITAL ASSETS

Note 5 to the financial statements provides additional information on Capital Assets. Below is a summary of capital assets, net of accumulated depreciation, for 2017 and 2018.

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
Land and construction in progress	\$ 433,515	\$ 359,830	\$ 73,685
Buildings and equipment	1,387,388	1,371,466	15,922
Accumulated depreciation	<u>(316,074)</u>	<u>(278,039)</u>	<u>(38,035)</u>
Total Capital Assets	<u>\$ 1,504,829</u>	<u>\$ 1,453,257</u>	<u>\$ 51,572</u>

LONG-TERM DEBT

Note 6 to the financial statements provide additional information on long-term debt. Below is a summary of long-term debt for 2017 and 2018.

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
Compensated absences	\$ 12,460	\$ 13,374	\$ (914)
Claims liability	4,797	4,080	717
Capital leases	-	-	-
Bonds and Notes Payable	1,544,137	1,567,265	(23,128)
OPEB Liability	13,952	14,264	(312)
Medicare Premium Program	825	-	825
Net pension liability	<u>332,589</u>	<u>274,603</u>	<u>57,986</u>
Total Long-Term Liabilities	<u>\$ 1,908,760</u>	<u>\$ 1,873,586</u>	<u>\$ 35,174</u>

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because they cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2018

ECONOMIC OUTLOOK AND FACTORS AFFECTING FUTURE BUDGETS

The major economic factors that impact the District and all California community college districts' financial condition are directly related to the overall economic, budgetary, and fiscal condition of the State of California and any legislation that impacts the funding of all community colleges in the state. According to the Annual Outlook Report released by the Legislative Analyst's Office (LAO) on November 14, 2018, titled "*The 2019-20 Budget: California's Fiscal Outlook*", the state budget is perceived to be better prepared to address an economic downturn than it has ever been in decades. Based upon the LAOs estimate of revenue and spending, the state's constitutional reserve is expected to reach \$14.5 billion by the end of 2019-20. The LAO also projects the Legislature will have an additional \$14.8 billion in resources available for allocations in the 2019-20 budget process.

In addition, the LAO analysis reports a long-term General Fund outlook with California continuing to experience economic growth under multiple scenarios assuming current law and policies remain the same. The LAO has produced a *Fiscal Outlook* every year since 1995. The 2019-20 California Fiscal Outlook indicates that the state's available surplus in 2019-20 will easily be the largest ever estimated by the LAO. The LAO projects continued growth of the California economy; however, tempered by slower job growth and modest weakness in housing. The LAO also cautions that while current projections suggest the state's economic and budgetary conditions are very strong, they caution that things could change quickly just as it did as a result of the dot-com bust and ensuing recession in 2001. If the state economy continues to grow, the state is projected to have operating surpluses of about \$4.5 and \$6 billion in 2018-19 and 2019-20. However, if the economy experiences a moderate recession, the LAO projects that the state has enough reserves to cover its deficits over the next couple of years due to Proposition 2 (The Rainy Day Fund) established under Governor Brown and approved by the voters on November 4, 2014. The LAO report notes that at that point, any available reserves are only sufficient to cover a portion of the operating deficit; therefore, the state would need to use some combination of spending reductions or tax increases to address any remaining deficit. The LAO report also notes that decisions by the federal government or state executive branch would certainly influence state budget conditions and hurt the budget's bottom line. Any changes to health care, tax, immigration or other policies by the federal government would impact the state's budget condition. Similarly, the state executive branch has discretion to allocate different levels of revenues from Proposition 55 and 56 to Medi-Cal, which is the state's health care system for low-income earners in California.

Clearly, there are many uncertainties regarding the state's budget and economic situation, which is why Governor Brown and the LAO continue to encourage the Legislature to build more reserves and prepare for the unanticipated or unexpected events in future fiscal years. In addition, with the implementation of a new state funding model for community colleges as of FY 2018-19 that moves from a 100% enrollment

SAN DIEGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2018

**ECONOMIC OUTLOOK AND FACTORS AFFECTING FUTURE BUDGETS
(continued)**

access based funding model to a model that reduces funding for enrollment access by replacing previously received apportionment revenue funding with performance based funding, the paradigm funding change will have short-term impacts on all districts as the “business model” related to revenue funding is re-evaluated and needs to change in order to align with the new funding model.

The District continued to serve its local student demand with the District’s apportionment funded FTES at 43,281 FTES. Enrollment fees, which are established at the state level, once again remain at \$46 in FY 2018-19 resulting in California community college enrollment fees continuing to be among the lowest in the nation. The District served its second student cohort in FY 2017-18 and graduated its first student cohort with a bachelor’s degree in Health Information Management at Mesa College, which is one of fifteen colleges in the state approved to offer a bachelor’s degree as part of a state pilot program.

In addition to a new performance based funding model to be in effect as of FY 2018-19, plans are underway to combine Student Equity and SSSP funding into one program to support student success in achieving educational goals and provide funding to support historically underrepresented students to ensure equity for all students. Clearly, the State’s economic outlook continued to improve in FY 2017-18 and is anticipated to continue to improve in FY 2018-19 and FY 2019-20 primarily due to the extension of personal income taxes under Proposition 55, which will continue to support funding for public education.

In addition to state funding uncertainties, a major concern for all districts continues to be the significant rate increases to the CalSTRS and CalPERS employer pension contribution rates, which are expected to increase to 19.1% and 20.4% respectively based upon employee payroll for each of the pension systems, more than doubling the cost of employer contributions by FY 2020-21 for each community college district in California as compared to FY 2013-14. In order to minimize, as much as possible, the potential impact on future annual operating budgets, in FY 2015-16 the SDCCD Board of Trustees established a Designated Project Reserve Fund for CalSTRS and CalPERS employer contribution rate costs. As of June 30, 2018, the Board Designated Project Reserve Fund had a balance of \$12.0 million to assist with addressing the future costs associated with both pension obligations. Revenues transferred from the FY 2017-18 RAF (Revenue Allocation Formula) to the Board Designated Reserve for both pension systems increasing operating costs were bargained with District employee units to identify continuous revenues over and above the one-time funds that were previously agreed to be transferred into the reserve.

Given the lack of timely details being provided by the as of July 1, 2018, all 72 districts continue to express concern about what changes will be necessary to align operating expenses with apportionment revenue under the new performance outcomes funding model in effect as of FY 2018-19, which made it difficult for all community college districts to develop budgets for

SAN DIEGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2018

ECONOMIC OUTLOOK AND FACTORS AFFECTING FUTURE BUDGETS (continued)

adoption as required by September 15, 2018. A move from a 100% student access funding model ultimately to a model that reduces access funding in three fiscal years by replacing up to 60% of revenue previously earned and funded with 40% tied to performance outcomes funding requires all districts to undergo a paradigm shift that needs time to allow for major changes in each districts business model.

The District continues to identify ways by which to minimize its dependency upon the state's economic conditions by entering into long-term lease agreements for surplus District property in support of maintenance and operations costs, by maintaining adequate cash reserves, by continuing to focus on ways to minimize future operating budget impacts due to the cost increases associated with CalSTRS and CalPERS employer pension rates, and by preparing for a new state funding model and its potential impact on the District and the San Diego community we serve.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report was designed to provide a general overview of the District's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Vice Chancellor, Business and Technology Services, San Diego Community College District, 3375 Camino Del Rio South, Room 210, San Diego, CA 92108.

BASIC FINANCIAL STATEMENTS

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

Assets

Current Assets:

Cash and cash equivalents	\$ 158,414,355
Accounts receivable, net	13,562,130
Inventory	2,281,070
Prepaid expenses	<u>113,864</u>

Total Current Assets 174,371,419

Non-Current Assets:

Restricted cash and cash equivalents	93,800,113
Capital assets, net of accumulated depreciation	<u>1,504,829,862</u>

Total Non-Current Assets 1,598,629,975

Total Assets 1,773,001,394

Deferred Outflows of Resources

Deferred charge on refunding	45,283,555
Deferred outflows - pensions	<u>103,397,554</u>

Total Deferred Outflows of Resources 148,681,109

Total Assets and Deferred Outflows of Resources \$ 1,921,682,503

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

Liabilities

Current Liabilities:

Accounts payable	\$ 21,882,488
Accrued liabilities	11,959,228
Due to Fiduciary funds	220,682
Accrued interest	22,367,636
Unearned revenue	4,958,508
Current portion of long term liabilities	35,172,720
Total Current Liabilities	<u>96,561,262</u>

Non-Current Liabilities

Non-current portion of long term liabilities	<u>1,873,587,304</u>
Total Non-Current Liabilities	<u>1,873,587,304</u>

Total Liabilities 1,970,148,566

Deferred Inflows of Resources

Deferred inflows - pensions	22,770,957
Deferred inflows - OPEB	71,826
	<u>22,842,783</u>

Net Position

Net investment in capital assets	99,776,860
Restricted for:	
Debt service	59,464,186
Scholarship and loans	4,352,979
Other special purposes	61,691,080
Unrestricted	<u>(296,593,951)</u>
Total Net Position	<u>(71,308,846)</u>

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 1,921,682,503

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018**

Operating Revenues	
Tuition and fees (gross)	\$ 44,531,845
Less: Scholarship discounts and allowances	<u>(23,329,790)</u>
Net tuition and fees	21,202,055
Grants and contracts, noncapital	
Federal	65,254,479
State	35,312,892
Local	6,068,489
Auxiliary	<u>14,660,759</u>
Total Operating Revenues	<u>142,498,674</u>
Operating Expenses	
Salaries	224,928,369
Employee benefits	104,845,760
Supplies, materials, and other operating expenses and services	52,454,780
Financial aid	63,629,054
Utilities	9,543,701
Depreciation	<u>41,003,217</u>
Total Operating Expenses	<u>496,404,881</u>
Operating Income (Loss)	<u>(353,906,207)</u>
Non-Operating Revenues (Expenses)	
State apportionments, non-capital	123,630,560
Local property taxes	112,305,872
State taxes and other revenues	48,705,006
Investment Income	3,360,319
Interest expense	(72,166,911)
Other nonoperating revenue	<u>10,148,666</u>
Total Non-Operating Revenues (Expenses)	<u>225,983,512</u>
Loss Before Other Revenues, Expenses, Gains and Losses	<u>(127,922,695)</u>
Other Revenues, Expenses, Gains and Losses	
State apportionments, capital	1,625,914
Local property taxes	82,476,637
Interest and investment income, capital	<u>695,939</u>
Total Other Revenues, Expenses, Gains and Losses	<u>84,798,490</u>
Changes in Net Position	<u>(43,124,205)</u>
Net Position, Beginning of Year Before Restatement	(128,099,764)
Prior period adjustments (Note 14)	112,757,888
Cumulative effect of change in accounting principle (Note 14)	<u>(12,842,765)</u>
Net Position, Beginning of Year After Restatement	<u>(28,184,641)</u>
Net Position, End of Year	<u>\$ (71,308,846)</u>

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018**

Cash Flows From Operating Activities

Tuition and fees (net)	\$ 21,397,077
Federal grants and contracts	66,502,442
State grants and contracts	34,339,350
Local grants and contracts	6,068,489
Sales and services of auxiliary enterprises	14,660,759
Payments to suppliers	(67,247,471)
Payments to/on-behalf of employees	(339,231,460)
Payments to/on-behalf of students	(62,954,456)
Other	4,568,950
Net cash provided (used) by operating activities	<u>(321,896,320)</u>

Cash Flows From Non-Capital Financing Activities

State apportionments and receipts	123,630,560
Local property taxes	112,305,872
State taxes and other revenue	58,853,672
Net cash provided (used) by non-capital financing activities	<u>294,790,104</u>

Cash Flows From Capital and Related Financing Activities

State apportionment for capital purposes	1,625,914
Local revenue for capital purposes	82,478,970
Net purchase and sale of capital assets	(88,870,059)
Principal and interest paid on capital related debt	(91,455,042)
Net cash provided (used) by capital and financing activities	<u>(96,220,217)</u>

Cash Flows from Investing Activities

Interest on investments	<u>3,360,319</u>
Net cash provided (used) by investing activities	<u>3,360,319</u>

Net Change in Cash and Cash Equivalents (119,966,114)

Cash Balance - Beginning of Year 372,180,582

Cash Balance - End of Year \$ 252,214,468

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (353,906,207)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	41,003,217
Changes in assets and liabilities:	
Receivables, net	5,367,466
Prepaid expenses	(75,890)
Deferred outflows of resources - pensions	(44,504,268)
Accounts payable	(5,675,664)
Accrued liabilities	(22,270,886)
Unearned revenue	208,018
Compensated absences	(913,260)
Claims Liability	716,635
Medicare Premium Program	824,587
Net pension liabilities	57,986,003
Other postemployment retiree benefits (OPEB)	(311,608)
Deferred inflows of resources - OPEB	71,826
Deferred inflows of resources - pensions	<u>(416,289)</u>
Net cash provided (used) by operating activities	<u>\$ (321,896,320)</u>

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	<u>Student Trust Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 855,144
Accounts receivable	18,242
Due from primary government	<u>220,682</u>
Total Assets	<u>\$ 1,094,068</u>
<u>Liabilities</u>	
Accounts payable	44,329
Amounts held in Trust for others	<u>527,800</u>
Total Liabilities	<u>572,129</u>
<u>Net Position</u>	
Unrestricted	<u>521,939</u>
Total Liabilities and Net Position	<u>\$ 1,094,068</u>

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

June 30, 2018

	Student Trust Funds
Additions	
Student fees	\$ 103,751
Other local revenues	3,066
Other financing sources	112,189
Interest and investment income	2,744
Total Additions	221,750
 Deductions	
Salaries	16,414
Employee benefits	1,134
Financial Aid	16,335
Supplies, materials, and other operating expenses and services	173,159
Total Deductions	207,042
 Net increase in net position	14,708
 Net Position, Beginning of Year	507,231
 Net Position, End of Year	\$ 521,939

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF PLAN NET POSITION

June 30, 2018

	Retiree Health Benefit (OPEB) Trust
<u>Assets</u>	
Cash and cash equivalents	\$ 958,547
Investments	20,293,344
Accounts receivable, net	339,040
Total Assets	\$ 21,590,931
<u>Liabilities</u>	
Accounts payable	20,811
Total Liabilities	20,811
<u>Net Position</u>	
Restricted - nonspendable	21,570,120
Total Net Position	21,570,120
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 21,590,931

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN PLAN NET POSITION
June 30, 2018

	Retiree Health Benefit (OPEB) Trust
Additions	
Employer contributions	\$ 674,780
Investment income	1,325,121
Sales and other local revenue	29,168
Total Additions	2,029,069
 Deductions	
Benefits	-
Operating expenses and services	790,991
Total Deductions	790,991
 Net Changes in Net Position	 1,238,078
 Net Position, Beginning of Year	 20,332,042
 Net Position, End of Year	 \$ 21,570,120

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

San Diego Community College District (District) is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

The San Diego Community College Auxiliary Organization (Organization) was created to further support the District's mission and goals beyond state available funding. The Organization has its own Board of Directors composed of District faculty and administrators; however, the District maintains oversight responsibility for the Organization as carried out by the District Chancellor in accordance with the provisions of section 72670 of the California Education Code. Since the District significantly influences its operations, the Organization has been included in the District's financial statements as a blended component unit. Should the Organization be dissolved, its assets remaining after payment of liabilities would be distributed to the District.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund and the Retiree Health (OPEB) Trust, are excluded from the basic financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*. The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP). These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

Investments

Investments are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Material receivables are considered fully collectible. Bad debt is accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable instructional, custodial, health and other supplies held for consumption.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Restricted Cash and Cash Equivalents

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the assets. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent cash and cash equivalents required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bond debt issuance or to purchase capital assets.

Capital Assets

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure assets as defined in GASB Statement No. 34. Donated capital assets are recorded at estimated acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: infrastructure, 35-60 years; buildings, 50 years; equipment and vehicles, 5 to 6 years; and technology equipment 3 years.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following deferred outflows:

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – Pensions and OPEB: Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. The deferred outflows of resources related to pensions and OPEB resulted from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plans. Deferred outflows are also recorded for the effects of actuarially-determined changes to the pension plan. These amounts are deferred and/or amortized as detailed in Notes 7 and 8 to the financial statements.

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable and other accrued expenses.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to the extent that eligibility requirements have been met. Unearned revenue is recorded to the extent cash received prior to having met eligibility requirements for specific projects and programs. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

Long-term debt and other obligations financed by proprietary funds are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

Medicare Premium Liability

For purposes of measuring the District's liability related to the Medicare Premium Payment (MPP) Program, the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. There are no deferred outflows of resources or deferred inflows of resources related to the MPP Program or for MPP Program expenses. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP Program reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The related liability for the District's proportionate share of the MPP Program is reported in the financial statements; as the plan is not material, additional disclosures are not included.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions resulted from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 7 to the financial statements.

Net Position

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District has no Restricted Net Position – Nonexpendable net assets.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unrestricted Net Position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. The California Community College Chancellor's Office recalculates apportionment on a statewide basis each February of the subsequent year; any difference in computational revenue or state aid will be recorded in the year computed by the State.

The District also receives state apportionments for categorical programs. These allocations are based on various financial and statistical information from the current and previous years.

Property Taxes

The County of San Diego (County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionment payments from the County. The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on March 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with Fiscal Year 1978-79, general property taxes are based either on flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or the cost of any new constructions after the 1975-76 valuations.

Taxable values of properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of the passage of Proposition 13).

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

Scholarships, Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported gross of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

NOTE 2: DEPOSITS

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal a percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits and collateral that is considered to be held in the name of the District. As of June 30, 2018, the book balance of the District's deposit of \$252,764,474, including fiduciary accounts, were entirely insured and collateralized as described above.

Cash in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2018 is measured at 99.264% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The County is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 2: DEPOSITS

Cash and cash equivalents as of June 30, 2018 are as shown herein.

<u>Primary Government</u>	<u>June 30, 2018</u>
Cash on hand and in banks	\$ 1,098,601
Cash in County Treasury	<u>251,115,867</u>
Total cash and cash equivalents	<u>\$ 252,214,468</u>

<u>Fiduciary Funds</u>	<u>June 30, 2018</u>
Cash on hand and in banks	\$ (19,633)
Cash in County Treasury	<u>874,777</u>
Total cash and cash equivalents	<u>\$ 855,144</u>

<u>Retiree Health Benefit (OPEB) Trust</u>	<u>June 30, 2018</u>
Cash on hand and in banks	<u>\$ 958,547</u>

Investments

Policies

Under provisions of California Government Code Sections 16430, 53601 and 53602 and District Board Policy Section 3130, the District may invest in the types of investments shown herein. The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2018.

- State of California Local Agency Investment Fund (LAIF)
- County Treasurer's Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- U.S. Government Agency guaranteed instruments
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 2: DEPOSITS

assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2018 are presented herein.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consists of the amounts shown herein.

Primary Government	June 30, 2018
Federal and state	\$ 11,776,779
Miscellaneous	1,785,351
Total accounts receivable	\$ 13,562,130

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

A summary of changes for the District in capital assets for the year ended June 30, 2018 is shown herein.

	Balance July 1, 2017*	Additions	Retirements and Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 77,080,989	\$ 89,144	\$ -	\$ 77,170,133
Construction in progress	282,748,534	76,179,424	2,582,413	356,345,545
Total capital assets not being depreciated	<u>359,829,523</u>	<u>76,268,568</u>	<u>2,582,413</u>	<u>433,515,678</u>
Capital assets being depreciated:				
Site improvements	40,487,289	1,981,162	-	42,468,451
Buildings and improvements	1,251,351,019	11,195,797	-	1,262,546,816
Equipment and software	79,628,097	5,715,493	2,970,800	82,372,790
Total capital assets being depreciated	<u>1,371,466,405</u>	<u>18,892,452</u>	<u>2,970,800</u>	<u>1,387,388,057</u>
Less accumulated depreciation for:				
Site improvements	(7,500,259)	(1,046,356)	-	(8,546,615)
Buildings	(200,138,316)	(33,013,419)	-	(233,151,735)
Equipment	(70,400,648)	(6,943,442)	2,968,567	(74,375,523)
Total accumulated depreciation	<u>(278,039,223)</u>	<u>(41,003,217)</u>	<u>2,968,567</u>	<u>(316,073,873)</u>
Depreciable assets, net	<u>1,093,427,182</u>	<u>(22,110,765)</u>	<u>(2,233)</u>	<u>1,071,314,184</u>
Capital assets, net	<u>\$ 1,453,256,705</u>	<u>\$ 54,157,803</u>	<u>\$ 2,584,646</u>	<u>\$ 1,504,829,862</u>

* The balance at June 30, 2017 has been restated. See Note 14.

Depreciation expense of \$41,003,217 was recorded during the year.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2018 consists of the amounts shown herein.

Primary Government	June 30, 2018
Vendors and others	\$ 15,276,958
Retention	<u>6,605,530</u>
Total accounts payable	<u>21,882,488</u>
Payroll and benefits	11,252,749
Accrued expenses	<u>706,479</u>
Total accrued liabilities	<u>11,959,228</u>
Total accounts payable and accrued liabilities	<u><u>\$ 33,841,716</u></u>

Fiduciary Funds	June 30, 2018
Vendors	<u>44,329</u>
Total accounts payable	<u><u>\$ 44,329</u></u>

Retiree Health Benefit (OPEB) Trust	June 30, 2018
Vendors	<u><u>\$ 20,811</u></u>

NOTE 6: UNEARNED REVENUE

Unearned revenue at June 30, 2018 consists of the amounts shown herein.

Primary Government	June 30, 2018
Federal financial assistance	\$ 1,141,961
State categorical aid	820,391
Enrollment Fee	2,732,799
Local	50,000
Others	<u>213,357</u>
Total unearned revenue	<u><u>\$ 4,958,508</u></u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2018, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans is as follows:

The details of each plan are as follows:

	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
Pension Plan				
CalSTRS - STRP	\$ 197,907,200	\$ 61,897,876	\$ 19,649,590	\$ 18,585,851
CalPERS - Schools Pool Plan	134,682,269	41,499,678	3,121,367	24,219,192
Total	<u>\$ 332,589,469</u>	<u>\$ 103,397,554</u>	<u>\$ 22,770,957</u>	<u>\$ 42,805,043</u>

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: EMPLOYEE RETIREMENT PLANS

obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

<u>Provisions and Benefits</u>	<u>CalSTRS-STRP Defined Benefit Program and Supplement Program</u>	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were \$16,964,270.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018 , the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: EMPLOYEE RETIREMENT PLANS

	Balance June 30, 2018
Proportionate Share of Net Pension Liability	June 30, 2018
District proportionate share of net pension liability	\$ 197,907,200
State's proportionate share of the net pension liability associated with the District	117,081,181
Total	\$ 314,988,381

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was 0.2140%.

For the year ended June 30, 2018, the District recognized pension expense of \$18,585,851 and revenue of \$8,693,266 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 16,964,270	\$ -
Difference between expected and actual experience	731,880	3,451,820
Change in assumptions	36,664,620	-
Change in proportion	7,537,106	10,926,950
Net differences between projected and actual earnings on plan investments	-	5,270,820
Total	\$ 61,897,876	\$ 19,649,590

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: EMPLOYEE RETIREMENT PLANS

deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	\$ (255,101)
2020	7,442,479
2021	4,604,838
2022	(556,130)
2023	6,558,994
2024	7,488,936
Total	<u>\$ 25,284,016</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: EMPLOYEE RETIREMENT PLANS

from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect as of February 2017, when the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Absolute return risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Fixed income	12%	0.30%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.10%)	\$ 290,590,600
Current discount rate (7.10%)	197,907,200
1% increase (8.10%)	122,688,340

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: EMPLOYEE RETIREMENT PLANS

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

Provisions and Benefits	CalPERS-Schools Pool Plan	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018 are as presented above and the total District contributions were \$11,592,739.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$134,682,269. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.5642%.

For the year ended June 30, 2018, the District recognized pension expense of \$24,219,192. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 11,592,739	\$ -
Difference between expected and actual experience	4,825,111	
Changes of assumptions	19,672,464	1,585,717
Changes in proportion	750,279	1,535,650
Net differences between projected and actual earnings on plan investments	4,659,085	
Total	\$ 41,499,678	\$ 3,121,367

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The remaining amounts will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	\$ 7,342,039
2020	12,601,421
2021	9,393,425
2022	(2,551,313)
Total	\$ 26,785,572

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	2.75%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of projected ongoing mortality improvement using

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

NOTE 7: EMPLOYEE RETIREMENT PLANS

Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Fixed income	19%	2.27%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.39%
Inflation assets	6%	1.39%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: EMPLOYEE RETIREMENT PLANS

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 198,160,777
Current discount rate (7.15%)	134,682,269
1% increase (8.15%)	82,021,531

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Social Security Alternative Plan

Plan Description

The Social Security Alternative plan is a defined contribution plan covering most employees of the San Diego Community College District who are not eligible for membership in CalPERS, CalSTRS or another plan. Upon employment and any re-employment, part-time employees may become a member of the Social Security Alternative Plan. The Social Security Alternative Plan is an alternative plan to social security, and unit members would not contribute to social security under the Omnibus Budget Reconciliation Act of 1991.

Funding Policy

Contributions to the Social Security Alternative Plan are shared between the employee and the District. The District contributes 3.75% of eligible wages as defined under Internal Revenue Service regulations, and 3.75% of eligible wages are withheld from the employee's checks for deposit under the plan. The District's contribution to the Social Security Alternative Plan for the fiscal years ended June 30, 2018 and 2017 were \$803,740 and \$774,363, respectively.

The Social Security Alternative Plan is a qualified pension plan under the Internal Revenue Code 401 and is thereby exempt from all federal income and California franchise taxes.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description and Eligibility

The District provides medical benefits to its retirees through the Kaiser HMO and four United Healthcare options (PPO, HMO Network 1, 2, & 3, and OOA), as well as their Medicare equivalents for Medicare eligible retirees (United Healthcare Senior Supplement, United Healthcare Medicare Advantage Secure Horizons, and Kaiser Senior Advantage). Dental benefits are provided through Delta Dental.

The District's share of retiree premium depends on classification, age, years of service (YOS) and the applicable cap. For the 2018 calendar year the cap is \$1,038 per month (equal to the Kaiser HMO active composite rate).

The District pays for the cost of spousal coverage for all retirees, both before and after age 65, up to the District cap. The cap is set equal to the active employee composite rate for the VEBA Kaiser HMO, which the District pays to active employees. The cap was \$86.56 per month in 2016-17. The cap is assumed to grow at the medical trend rate of 8% for healthcare and Medicare Part B and 4% for dental.

The District also pays Medicare Part B premiums for all retirees and spouses of retirees entitled to lifetime District- paid medical benefits beyond age 65. Survivor benefits are provided for the spouses of those retirees eligible for lifetime benefits. Benefits are paid for one year following the retiree's death, and are limited to medical and dental premiums only. An automobile allowance of \$100 per month and automobile club dues of \$3.58 per month are paid from retirement until age 65 for one retired manager.

<u>Participant Type:</u>	<u>Number of Participants</u>
Inactive participants currently receiving benefits	100
Active employees	<u>2,051</u>
Total	<u><u>2,151</u></u>

Funding Policy

The contribution requirements of plan members and the District 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 through agreements between the District and the bargaining units. For the fiscal year ended June 30, 2018, the District contributed \$2,069,538 to the plan including the implicit rate subsidy.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

On June 26, 2006, the District contributed \$11,000,000 to the Community College League of California - Joint Powers Authority (CCLC-JPA) irrevocable trust and has adopted a goal of fully funding the plan on a fully projected basis by allowing the \$11,000,000 to grow with interest until it is sufficient to pay all future retiree benefits.

Net OPEB Liability

The District's Net OPEB Liability was measured as of June 30, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Salary increases: 3 percent
- Investment rate of return: 6.5 percent
- Healthcare cost trend rate: 6 percent for 2017; 5 percent for 2018 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection. Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 6.50 percent.

Discount rate. GASB 75 requires a discount rate that reflects the following:

- The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

- A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments.

The discount rate used to measure the District’s Total OPEB liability is 6.5 percent based on the long-term expected return of plan investments.

The table herein shows the components of the net OPEB liability of the District:

	Balance June 30, 2018
Total OPEB liability	\$ 34,245,554
Plan fiduciary net position	20,293,344
District's net OPEB liability	\$ 13,952,210
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	59.26%

Investments

Investment policy. The District’s policy regarding the allocation of the plan’s invested assets is established and may be amended by District management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The investment objective the District has selected is the Moderate Objective, which has a dual goal to seek moderate growth of income and principal. The asset allocation ranges for this objective as of June 30, 2018, are listed below:

Asset Class	Target Percentage of Portfolio	Actual Percentage of Portfolio
Cash	0 - 20%	3%
Fixed Income	40% - 60%	47%
Equity	40% - 60%	50%

Market conditions may cause the account’s asset allocation to vary from the stated range from time to time. The investment manager (assisting the District) will rebalance the portfolio when the actual weighting differs substantially from the strategic range, if appropriate and consistent with the objectives.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

Rate of return. For the year ended June 30, 2018 the annual money-weighted rate of return on investments, net of investment expense, was 7.00 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Plan's investments' fair value measurements at June 30, 2018 are presented below:

Investment	Costs	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Master Trust - US Bank	\$ 20,293,344	\$ -	\$ -	\$ 20,293,344

Schedule of Changes in Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net	Net OPEB Liability
Balances at June 30, 2017	\$ 33,234,298	\$ 18,970,480	\$ 14,263,818
Changes for the year:			
Service cost	986,766	-	986,766
Interest	2,094,028	-	2,094,028
Employer contributions	-	2,069,538	(2,069,538)
Net investment income	-	1,323,364	(1,323,364)
Benefit payments	(2,069,538)	(2,069,538)	-
Administrative expenses	-	(500)	500
Net changes	1,011,256	1,322,864	(311,608)
Balances at June 30, 2018	\$ 34,245,554	\$ 20,293,344	\$ 13,952,210

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

The following presents the District’s net OPEB liability calculated using the discount rate of 6.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

Discount rate	Net OPEB Liability
1% decrease (5.5%)	\$ 16,454,229
Current discount rate (6.5%)	13,952,210
1% increase (7.5%)	11,639,822

The following presents the District’s net OPEB liability calculated using the current healthcare cost trend rate of 5.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current rate:

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease (4.0%)	\$ 10,775,436
Current healthcare trend rate (5.0%)	13,952,210
1% increase (6.0%)	17,618,260

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District’s deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

OPEB Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	\$ -	\$ 71,826
Total	\$ -	\$ 71,826

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	Deferred Inflows of Resources
2019	\$ (17,957)
2020	(17,957)
2021	(17,957)
2022	(17,957)
Total	\$ (71,828)

OPEB Expense

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,829,756.

NOTE 9: LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown herein.

	Balance July 1, 2017*	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
General Obligation bonds	\$ 1,408,507,519	\$ 11,591,274	\$ 25,342,430	\$ 1,394,756,363	\$ 24,205,306
Premiums, net of amortization	158,757,826	-	9,377,519	149,380,307	9,337,519
Total Bonds and Notes Payable	1,567,265,345	11,591,274	34,719,949	1,544,136,670	33,542,825
Compensated absences	13,373,717	4,925,251	5,838,511	12,460,457	913,260
Claims liability	4,079,996	950,327	233,692	4,796,631	716,635
OPEB liability	14,263,818	-	311,608	13,952,210	-
Medicare Premium Program	-	824,587	-	824,587	-
Net pension liability	274,603,466	57,986,003	-	332,589,469	-
Total Other Liabilities	306,320,997	64,686,168	6,383,811	364,623,354	1,629,895
Total Long Term Debt	\$ 1,873,586,342	\$ 76,277,442	\$ 41,103,760	\$ 1,908,760,024	\$ 35,172,720

* The balance at June 30, 2017 has been restated. See Note 14.

Liabilities for compensated absences, OPEB, Medicare Premium Program, and the net pension liability are liquidated by the governmental funds in which related salaries and benefits are recorded. Capital leases are liquidated by the General Fund, while the general obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

The District participates in the Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement Plan (the STRP). The District's proportionate share of the liability is 0.125%. As the plan activity and the District's proportionate share of the total OPEB liability is not significant, additional disclosures regarding the plan are not included in these financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 10: GENERAL OBLIGATIONS BONDS

On November 5, 2002, by majority election of the District's registered voters, \$685,000,000 in general obligation bonds (Proposition S) were authorized to be issued and sold for the benefit of the District. Proceeds from the bonds were to be used for acquisition, construction, renovation, repair and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District. On May 15, 2003, Series 2003 A, B and C of the Proposition S bond authorization were issued, which consisted of serial bonds and term bonds with an initial total par amount of \$105,000,000 with stated yield rates of 0.95% to 4.39% and maturing through May 1, 2028. Series 2003 was advance refunded during 2011-12 via the issuances of the series 2011 General Obligation Refunding bonds and the issuance of the Series 2012 General Obligation Refunding bonds. On October 5, 2005, Series 2005 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and capital appreciation bonds with an initial par amount of \$244,999,901 with stated yield rates of 3.28% to 4.38% and maturing through May 1, 2030. On April 28, 2009, Series 2009 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and convertible capital appreciation bonds with an initial par amount of \$131,293,506 with stated yield rates of 2.70% to 6.00% and maturing through August 1, 2033. On July 7, 2011, Series 2011 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds and capital appreciation serial bonds with an initial par amount of \$99,999,859 with stated yield rates of 0.27% to 6.69% and maturing through August 1, 2041. On July 7 2011, Series 2011, Refunding, of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of \$22,230,000 with stated yield rates of 0.38% to 3.55% and maturing through August 1, 2023. On March 22, 2012, Series 2012, Refunding of the Proposition S bond authorization was issued with an initial par amount of \$235,134,077 with stated yield rates of 0.18% to 3.10% and maturing through August 1, 2029. The Series 2012, Refunding retired \$290,680,000 of debt including \$244,320,000 of Series 2003A and Series 2005 of the Proposition S bond authorization. As a result, approximately 84.05% of the debt service related to the Series 2012, Refunding is attributable to Proposition S. On July 17, 2013, Series 2013 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of \$103,705,000 with stated yield rates of 0.20% to 4.25% and maturing through August 1, 2032. On November 3, 2016, Series 2016, Refunding of the Proposition S bond authorization was issued, with an initial par amount of \$157,257,360 with stated yield rate of 0.74% to 3.00% and maturing through August 1, 2041. The Series 2016 Refunding retired \$524,205,000 of debt including \$163,715,000 of Series 2009 and Series 2011 of the Proposition S bond authorization and \$360,490,000 of Series 2007 and Series 2011 of the Prop N bond authorization. As a result, approximately 31.2% of the debt service related to the Series 2016, Refunding is attributable to Proposition S and approximately 68.8% of the debt service is attributable to Proposition N. Proposition S bonds were fully issued as of July 2013.

On November 7, 2006 by majority election of the District's registered voters, \$870,000,000 in general obligation bonds ("Proposition N") were authorized to be issued and sold for the benefit of the District. Proceeds from the bonds are to be used for acquisition, construction, renovation,

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: LONG-TERM DEBT

repair and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District. The bonds are scheduled to be issued in four increments over a ten-year period. On July 18, 2007, Series 2007 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds and capital appreciation bonds with an initial par amount of \$224,996,823 with stated yield rates of 3.60% to 4.51% and maturing through August 1, 2032. On July 7, 2011, Series 2011 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds and current interest term bonds with an initial par amount of \$250,000,000 with stated yield rates of 0.27% to 4.86% and maturing through August 1, 2041. On March 7, 2012, Series 2012, Refunding was issued with an initial par amount of \$44,620,923 with stated yield rates of 0.18% to 3.10% and maturing through August 1, 2029. The Series 2012, Refunding retired \$290,680,000 of debt including \$244,320,000 of Series 2003A and Series 2005 of the Proposition S bond authorization and \$46,360,000 of Series 2007 of the Proposition N bond authorization. As a result, approximately 84% of the debt service related to the Series 2012, Refunding is attributable to Proposition S and approximately 16% of the debt service is attributable to Proposition N. On July 17, 2013 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds, capital appreciation bonds and convertible capital appreciation bonds with an initial par amount of \$272,996,022 with state yield rates of 0.20% to 6.23% and maturing through August 1, 2043.

On November 3, 2016, Series 2016 of the Proposition N Bond authorization was issued, which consisted of serial bonds and term bonds with an initial par amount of \$122,005,000, with stated yield rates of 0.74% to 3.17% and maturing through August 1, 2034.

On November 3, 2016, Series 2016, Refunding was issued, with an initial par amount of \$504,030,000 with stated yield rates of 0.74% to 3.00% and maturing through August 1, 2041. The Series 2016 Refunding retired \$524,205,000 of debt including \$163,715,000 of Series 2009 and Series 2011 of the Proposition S bond authorization and \$360,490,000 of Series 2007 and 2011 of the Proposition N bond authorization. As a result, approximately 31.2% of the debt service related to the series 2016, Refunding is attributable to Proposition S and approximately 68.8% of the debt service is attributable to Proposition N.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: LONG-TERM DEBT

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Proposition S					
2009 Series	5/13/2009	8/1/2033	2.70 - 6.00%	\$ 131,293,506	\$ 33,573,505
2011 Series	7/21/2011	8/1/2041	0.27 - 6.69%	99,999,859	22,054,859
2011 Series, Refunding	7/21/2011	8/1/2023	0.38 - 3.55%	22,230,000	14,385,000
2012 Series, Refunding	3/22/2012	8/1/2029	0.18 - 3.10%	235,134,077	217,815,575
2013 Series	7/17/2013	8/1/2032	0.20 - 4.25%	103,705,000	100,105,000
2016 Series Refunding	11/3/2016	8/1/2041	0.74 - 3.00%	157,257,360	155,747,280
Accreted Interest					<u>29,581,015</u>
Total Proposition S					<u>573,262,234</u>
Proposition N					
2011 Series	7/21/2011	8/1/2021	0.27 - 4.86%	250,000,000	15,715,000
2012 Series, Refunding	3/22/2012	8/1/2029	0.18 - 3.10%	44,620,923	41,334,425
2013 Series	7/17/2013	8/1/2043	0.20 - 6.23%	272,996,022	264,356,937
2016 Series	11/3/2016	8/1/2034	0.74 - 3.17%	122,005,000	118,285,000
2016 Series, Refunding	11/3/2016	8/1/2041	0.74 - 3.00%	346,772,640	343,442,720
Accreted Interest					<u>38,360,047</u>
Total Proposition N					<u>821,494,129</u>
Total					<u>\$1,394,756,363</u>

The annual requirements to amortize the General Obligation Bonds outstanding as of June 30, 2018 are as shown herein.

Proposition S, 2009 Series

Year Ending June 30,	Principal	Interest
2019	\$ 1,575,000	\$ 139,375
2020	2,000,000	1,696,400
2021	-	3,292,800
2022	-	3,292,800
2023	-	3,292,800
2024-2028	-	16,464,000
2029-2033	-	16,464,000
2034	29,998,505	5,678,517
Total	<u>33,573,505</u>	<u>\$ 50,320,692</u>
Accreted Interest	<u>20,849,377</u>	
Total	<u>\$ 54,422,882</u>	

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: LONG-TERM DEBT

Proposition S, 2011 Series

Year Ending June 30,	Principal	Interest
2019	\$ 1,425,000	\$ 179,063
2020	1,600,000	133,687
2021	1,005,000	89,063
2022	1,575,000	34,219
2023	-	-
2024-2028	-	-
2029-2033	-	-
2034-2038	7,246,920	27,063,080
2039-2042	9,202,939	39,710,423
Total	22,054,859	\$ 67,209,535
Accreted Interest	8,731,638	
Total	<u>\$ 30,786,497</u>	

Proposition S, 2011 Refunding Series

Year Ending June 30,	Principal	Interest
2019	\$ 1,965,000	\$ 612,600
2020	2,130,000	530,700
2021	2,295,000	439,800
2022	2,495,000	333,250
2023	2,700,000	207,500
2024	2,800,000	70,000
Total	<u>\$ 14,385,000</u>	<u>\$ 2,193,850</u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: LONG-TERM DEBT

Proposition S, 2012 Refunding Series

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 11,750,190	\$ 10,469,415
2020	13,288,305	9,851,858
2021	14,935,685	9,154,663
2022	16,696,532	8,383,567
2023	18,558,240	7,541,050
2024-2028	96,300,288	23,752,477
2029-2033	46,286,335	2,367,058
Total	<u>\$217,815,575</u>	<u>\$ 71,520,088</u>

Proposition S, 2013 Series

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ -	\$ 4,980,075
2020	110,000	4,978,425
2021	505,000	4,967,938
2022	1,000,000	4,934,100
2023	1,500,000	4,879,100
2024-2028	15,705,000	22,809,775
2029-2033	81,285,000	11,016,625
Total	<u>\$100,105,000</u>	<u>\$ 58,566,038</u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: LONG-TERM DEBT

Proposition S, 2016 Refunding Series

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 53,040	\$ 7,236,247
2020	56,160	7,233,517
2021	59,280	7,230,631
2022	62,400	7,227,589
2023	2,775,240	7,156,648
2024-2028	32,809,920	31,840,614
2029-2033	76,688,040	19,858,550
2034-2038	23,479,560	6,711,464
2039-2042	19,763,640	1,827,790
Total	<u>\$155,747,280</u>	<u>\$ 96,323,050</u>

Proposition N, 2011 Series

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,470,000	\$ 724,000
2020	3,370,000	578,000
2021	4,385,000	384,125
2022	5,490,000	137,250
Total	<u>\$ 15,715,000</u>	<u>\$ 1,823,375</u>

Proposition N, 2012 Refunding Series

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,229,810	\$ 1,986,760
2020	2,521,695	1,869,567
2021	2,834,315	1,737,262
2022	3,168,468	1,590,933
2023	3,521,760	1,431,050
2024-2028	18,274,712	4,507,460
2029-2030	8,783,665	449,192
Total	<u>\$ 41,334,425</u>	<u>\$ 13,572,224</u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: LONG-TERM DEBT

Proposition N, 2013 Series

Year Ending June 30,	Principal	Interest
2019	\$ 695,306	\$ 6,207,194
2020	1,091,688	6,315,812
2021	1,414,136	6,468,364
2022	1,692,450	6,675,050
2023	1,935,615	6,941,884
2024-2028	20,307,763	48,134,737
2029-2033	32,866,485	93,441,891
2034-2038	45,636,280	152,880,399
2039-2043	113,342,214	119,383,940
2044	45,375,000	1,134,375
Total	264,356,937	\$ 447,583,646
Accreted Interest	38,360,047	
Total	\$302,716,984	

Proposition N, 2016 Series

Year Ending June 30,	Principal	Interest
2019	\$ 1,925,000	\$ 4,556,625
2020	2,190,000	4,494,900
2021	2,465,000	4,425,075
2022	2,765,000	4,332,800
2023	3,110,000	4,215,300
2024-2028	30,550,000	17,584,450
2029-2033	47,770,000	9,187,100
2034-2035	27,510,000	929,550
Total	\$118,285,000	\$ 49,725,800

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: LONG-TERM DEBT

Proposition N, 2016 Refunding Series

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 116,960	\$ 15,956,853
2020	123,840	15,950,833
2021	130,720	15,944,468
2022	137,600	15,937,760
2023	6,119,760	15,781,327
2024-2028	72,350,080	70,212,636
2029-2033	169,106,960	43,790,650
2034-2038	51,775,440	14,799,637
2039-2042	43,581,360	4,030,510
Total	<u>\$343,442,720</u>	<u>\$ 212,404,674</u>

NOTE 11: RISK MANAGEMENT

Property/Liability

The District is self-insured for losses arising from public liability, auto, and property claims. Self-insurance amounts are \$100,000 per individual claim for property and \$200,000 for auto and public liability. The District is covered for losses in excess of these amounts by outside insurance carriers.

Workers' Compensation

As of July 1, 2001, the District elected to be self-insured for workers' compensation claims. Currently, the District covers claims up to \$500,000 per individual claim. Claim reserves and related incurred-but-not-reported (IBNR) liabilities are recorded for all periods of self-insurance. The outstanding claims which are expected to become due and payable within the subsequent fiscal year, have been reflected as an accrued liability as of year-end. Such claim exposure is estimated based on information provided by the third-party actuary and is reflected in the District's Statement of Net Position.

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: RISK MANAGEMENT

Reported Liability	Beginning Fiscal Year Liability	Claims and		Ending Fiscal Year Liability
		Changes in Estimates	Claim Payments	
Worker's compensation	\$ 4,079,996	\$ 950,327	\$ 233,692	\$ 4,796,631

Liability and Crime Policy

The District maintains a Liability insurance policy for California whereby the District pays the first \$200,000 per occurrence with coverage up to \$50,000,000 including excess liability with no self-retention between the coverage ranges of \$1-\$20 million. The District also maintains a Crime policy with a deductible of \$2,500 with a \$5,000,000 limit.

Health/Dental/Vision/Life

These programs are fully insured.

Student Accident

This program is fully insured and provides coverage for up to \$25,000 per accident.

NOTE 12: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown herein.

Functional Expense	Salaries	Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	\$109,168,626	\$ 40,867,530	\$ 10,912,827	\$ -	\$ -	\$160,948,983
Instructional Administration and instructional governance	19,117,968	14,989,660	1,491,683	-	-	35,599,311
Instructional Support Services	5,181,478	2,133,165	1,517,251	-	-	8,831,894
Student services	36,853,633	15,778,011	4,497,346	-	-	57,128,990
Operation and maintenance of plant	11,212,023	6,369,143	15,776,410	-	-	33,357,576
Planning, Policymaking & Coordination	7,967,494	3,465,190	2,238,317	-	-	13,671,001
General Institutional Support Services	26,398,011	17,313,614	25,564,647	-	-	69,276,272
Community services and economic development	1,269,756	706,343	-	-	-	1,976,099
Ancillary services and auxiliary operations	7,759,380	3,223,104	-	-	-	10,982,484
Transfers, student aid and other outgo	-	-	-	63,629,054	-	63,629,054
Depreciation expense	-	-	-	-	41,003,217	41,003,217
Total	<u>\$224,928,369</u>	<u>\$104,845,760</u>	<u>\$ 61,998,481</u>	<u>\$ 63,629,054</u>	<u>\$ 41,003,217</u>	<u>\$496,404,881</u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 13: COMMITMENTS AND CONTINGENCIES

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration.

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2019	\$ 232,612
2020	203,159
2021	204,170
2022	103,074
2023	65,967
Total	<u>\$ 808,982</u>

Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$19.8 million. Projects will be funded through state funds and general obligation bonds.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

**NOTE 14: PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT FOR
CHANGE IN ACCOUNTING PRINCIPLES**

The beginning net position has been restated by an increase of \$112,757,888 as a result of errors in prior periods related to capital assets and long-term debt. The individual errors are listed below.

Effective July 1, 2017, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions*. The statement established standards for purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and expenses. The implementation of the statement required the District to adjust the beginning net OPEB liability.

The beginning OPEB liability of \$14,263,818 offset by the liability recorded at June 30, 2017 of \$1,421,053 under the previous standard, resulted in the net cumulative effect of the implementation of GASB Statement No. 75 (See Note 8).

Net position at June 30, 2017, as originally reported	<u>\$ (128,099,764)</u>
Prior Period Adjustment	
Recognition of deferred charge on in fiscal year 2017 bond refunding	47,224,279
Removal of General Obligation Bonds refunded in fiscal year 2017	72,509,738
Removal of General Obligation Bond Premiums refunded in fiscal year 2017	17,736,053
Addition of accrued interest at June 30, 2017	(20,467,816)
Removal of construction in progress placed into service in prior years	(14,137,575)
Overstatement of net pension liability at June 30, 2017	1,421,053
Removal of legal claims long term liability recorded in the fund statements	<u>8,472,156</u>
Total Prior Period Adjustment	112,757,888
Cumulative effect of change in Accounting Principle	
OPEB liability at June 30, 2017 as calculated under GASB 75	(14,263,818)
OPEB liability originally recorded at June 30, 2017	<u>1,421,053</u>
Net cumulative effect of change in Accounting Principle	(12,842,765)
Net Position at June 30, 2017, as restated	<u><u>\$ (28,184,641)</u></u>

Had the errors not been made, the change in net position would have increased by the amount shown above for the year ended June 30, 2017.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

**NOTE 15: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2018, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 83 – *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*

The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and 3) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19.

Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

REQUIRED SUPPLEMENTARY INFORMATION

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2018

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability (assets)	0.1950%	0.2100%	0.2020%	0.2140%
District's proportionate share of the net pension liability (asset)	\$ 113,952,150	\$ 139,938,870	\$ 163,779,231	\$ 197,907,200
State's proportionate share of the net pension liability (asset) associated with the District	<u>68,809,228</u>	<u>74,012,037</u>	<u>93,250,321</u>	<u>117,081,181</u>
Total	<u>\$ 182,761,378</u>	<u>\$ 213,950,907</u>	<u>\$ 257,029,552</u>	<u>\$ 314,988,381</u>
District's covered payroll	\$ 88,422,180	\$ 95,865,557	\$ 105,341,887	\$ 115,111,575
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	128.87%	145.97%	155.47%	171.93%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%	69.46%
<u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability (assets)	0.5720%	0.5650%	0.5610%	0.5642%
District's proportionate share of the net pension liability (asset)	<u>\$ 64,981,337</u>	<u>\$ 83,290,413</u>	<u>\$ 110,824,235</u>	<u>\$ 134,682,269</u>
District's covered payroll	\$ 60,093,558	\$ 62,528,696	\$ 67,438,815	\$ 72,195,412
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.13%	133.20%	164.33%	186.55%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	73.90%	71.87%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 7,306,278	\$ 11,176,072	\$ 14,444,153	\$ 16,964,270
Contributions in relation to the contractually required contribution	<u>7,306,278</u>	<u>11,176,072</u>	<u>14,444,153</u>	<u>16,964,270</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ 95,865,557	\$ 105,341,887	\$ 115,111,575	\$ 117,685,016
Contributions as a percentage of covered payroll	7.62%	10.61%	12.55%	14.41%
<u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 6,875,902	\$ 5,424,269	\$ 8,671,845	\$ 11,592,739
Contributions in relation to the contractually required contribution	<u>6,875,902</u>	<u>5,424,269</u>	<u>8,671,845</u>	<u>11,592,739</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 62,528,696	\$ 67,438,815	\$ 72,195,412	\$ 75,056,239
Contributions as a percentage of covered payroll	11.00%	8.04%	12.01%	15.45%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2018**

Total OPEB Liability	2018
Service Cost	\$ 986,766
Interest	2,094,028
Benefit Payments	<u>(2,069,538)</u>
Net Change in Total OPEB Liability	1,011,256
Total OPEB Liability - beginning	<u>33,234,298</u>
Total OPEB Liability - ending (a)	<u><u>\$ 34,245,554</u></u>
Plan Fiduciary Net Position	2018
Contributions - Employer	\$ 2,069,538
Net Investment Income	1,323,364
Benefit Payments	(2,069,538)
Administrative Expense	<u>(500)</u>
Net Change in Plan Fiduciary Net Position	1,322,864
Plan Fiduciary Net Position - beginning	<u>18,970,480</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 20,293,344</u></u>
 Net OPEB Liability - ending (a) - (b)	 <u><u>\$ 13,952,210</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 59.26%
 Covered-employee payroll	 \$ 267,093,712
 Net OPEB liability as a percentage of covered-employee payroll	 5.22%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2018**

<u>OPEB Contributions</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 1,775,405
Contributions in relation to the ADC	<u>1,521,272</u>
Contribution deficiency (excess)	<u>\$ 254,133</u>
District's covered-employee payroll	\$ 267,093,712
Contributions as a percentage of covered-employee payroll	0.57%

See the accompanying notes to the required supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

NOTE 1: PURPOSE OF SCHEDULES

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS-STRP and CalPERS-Schools Pool Plan

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – CalSTRS-STRP and CalPERS-Schools Pool Plan

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Postemployment Healthcare Benefits Funding Progress

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

SUPPLEMENTARY INFORMATION

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2018**

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2018 were as follows:

BOARD OF TRUSTEES

Member	Title	Term Expires
Maria Nieto Senour	President	2018 (Reelected)
Bernie Rhinerson	Executive Vice President	2020
Mary Graham	Vice President for Institutional Effectiveness	2020
Rich Grosch	Vice President for Educational Collaboration	2018
Peter Zschesche	Vice President for Community Development	2018

Member	Title
Constance M. Carroll, Ph.D.	Chancellor
Ricky Shabazz, Ed.D.	President, San Diego City College
Pamela T. Luster, Ed.D.	President, San Diego Mesa College
Patricia Hsieh, Ed.D.	President, San Diego Miramar College
Carols O. Turner Cortez, Ph.D.	President, San Diego Continuing Education
Bonnie Ann Dowd, Ed.D.	Executive Vice Chancellor, Business and Technology Services
Lynn Ceresino Neault, Ed.D.	Vice Chancellor, Student Services
Stephanie Bulger, Ph.D.	Vice Chancellor, Instructional Services
Christopher Manis	Vice Chancellor, Facilities Management
Will Surbrook	Vice Chancellor, Human Resources

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education:			
Student Financial Aid Cluster			
Federal Pell Grant Programs (PELL)	84.063	(1)	\$ 50,183,769
Federal Pell Administrative Allowance	84.063	(1)	10,434
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(1)	1,433,503
Federal Supplemental Educational Opportunity Grants Administrative Allowance	84.007	(1)	74,662
Federal Direct Student Loan	84.268	(1)	3,425,902
Federal College Work Study (FWS)	84.033	(1)	50,450
Federal College Work Study Administrative Allowance	84.033	(1)	939,255
Total Student Financial Aid Cluster			<u>56,117,975</u>
Federal TRIO Program- Upward Bound	84.047	(1)	170,482
Higher Education- Institutional Aid	84.031	(1)	2,192,814
Student Support Services	84.042		<u>304,726</u>
Pass Through Funds			
Pass through California Department of Education			
Career Technical Education Act			
Basic Grants To States (Perkins Title I-C)	84.048	17-C01-016	2,076,781
Basic Grants To States (CTE Transitions)	84.048	17-C01-016	124,920
Total Career Technical Education Act			<u>2,201,701</u>
Pass through California Department of Education			
Adult Education Basic Grants to States			
Adult Ed EI Civics	84.002A	(2)	383,870
Adult Ed & Family Literacy	84.002A	(2)	1,462,635
Adult Ed/ECE/ET	84.002A	(2)	224,104
Total Adult Education Basic Grants to States			<u>2,070,609</u>
Pass through California Department of Rehabilitation			
College to Career program			
College to Career program	84.126A	(2)	237,159
Workability III (WA III)	84.126A	(2)	468,412
Total State Vocational Rehabilitation Services Program			<u>705,571</u>
Total U.S. Department of Education			<u>63,763,878</u>
U.S Department of Labor			
VETS Administrative Allowance	17.802	(1)	14,571
WIA Youth Activities	17.259	(1)	375,274
Total U.S Department of Labor			<u>389,845</u>

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Health and Human Services			
Suicide Prevention Program	93.243	(1)	111,936
Biomedical Research and Research Training	93.859	(1)	334,889
Professors for the Future	93.859	(1)	12,920
Pass through County of San Diego CalWorks Welfare to Work	93.558	(2)	139,560
Pass through San Diego State University Research Foundation Biomedical Research and Research Training	93.859	(2)	4,047
Total U.S. Department of Health and Human Services			603,352
U.S. Department of Defense:			
NAVCOMBRIG Continuing Education	*12 unk	(2)	83,175
CIP Meridian 18	*12 unk	(2)	90,844
CIP Corry Station 17-18	*12 unk	(2)	26,043
CIP Meridian 18-19	*12 unk	(2)	24,594
CIP Meridian 17	*12 unk	(2)	2,048
Combat Systems Grt Lakes 17	*12 unk	(2)	13,786
Corry Station 17	*12 unk	(2)	27,957
Total U.S. Department of Defense			268,447
U.S. Department of Justice:			
Victim Advocacy Support & Services	16.525	(1)	33,365
Total U.S. Department of Justice			33,365
U.S. Department of Agriculture			
Seeds of Scholars	10.223	(1)	92,666
Pass through Funds Child and Adult Care Food Program	10.558	(2)	102,926
Total U.S. Department of Agriculture			195,592
Total Federal Programs			\$ 65,254,479

(1) Pass-through entity identifying number not applicable, direct funded

(2) Pass-through entity identifying number not applicable

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2018**

Program Name	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
General Fund						
Extended Opportunity Program & Services	\$ 2,493,372	\$ (100,690)	\$ -	\$ -	\$ 2,392,682	\$ 2,504,009
Cooperative Agencies Resources for Education	237,094				237,094	237,094
Disabled Student Services and Programs	5,190,279				5,190,279	5,162,262
Student Success - Student Equity	5,481,285				5,481,285	5,830,375
Student Success - Credit	8,101,068				8,101,068	9,788,068
Student Success - Non Credit	2,444,781				2,444,781	2,432,720
Nursing Retention	5,842	245,200		(11,382)	239,660	239,660
Deputy Sector Navigator	376,278	636,658			1,012,936	1,018,523
Apprenticeship	(93,305)	382,722			289,417	367,563
Basic Skills	1,262,314	101,933			1,364,247	1,648,727
Sector Navigator	2,514	363,190			365,704	366,645
BFAP Administration	1,966,972				1,966,972	1,967,598
Career Technical Education						
Advanced Transportation Renewables	130,209	251,837			382,046	382,046
Child Development Center Bailout	(49,301)	75,000			25,699	64,861
Child Development	872,958				872,958	791,375
Adult Education Block Grant	3,187,946				3,187,946	2,184,696
SD Early Middle College	29,933	100,000			129,933	129,933
Instructional Equipment	1,083,943				1,083,943	1,529,509
Strong Workforce	5,324,901				5,324,901	2,215,666
College Completion Grant	77,250			470,250	547,500	77,250
CalGrant	4,441,628	(46,400)		4,030	4,399,258	4,441,628
IEPI Innovation	56,256				56,256	249,817
Full time Student Success	1,747,300			314,521	2,061,821	1,747,300
Emergency Aid for Dreamers	153,086			22,289	175,375	153,086
ABI 725 Staff Diversity/Development	50,000				50,000	74,115
Miscellaneous State Assistance						
Project Concern International	3,183	5,000			8,183	7,207
Industry Driven Collabr 16-17	73,428				73,428	127,828
Interg Teacher Prep Prg MMR	10,377				10,377	8,508
Legal Innovation Pilot	31,138				31,138	2,881
Interg Teacher Prep Prg MS	10,000				10,000	10,000
Interg Teacher Prep Prg City (ITTP)	10,658				10,658	10,658
Self Employment Pathways - Gig Ec	-	2,606			2,606	2,606
Zero Textbook Gt Implemnt 16-17	(4,185)	50,000			45,815	45,808
Zero Textbook Gt Implemnt 17-18	54,434				54,434	23,977
Hunger Free Campus Support	94,006				94,006	5,418
Puente Program	6,000				6,000	1,577
Ca Energy Comm - (ARFVTP)	1,809,299	436,539			2,245,838	1,907,477
Network & Computer Sysms Trng	798				798	798
Veterans Resource Centers	243,230				243,230	-
Zero Textbook Grt Planning 16-17	32,515				32,515	32,515
CDTC - Yosemite CCD	6,352	4,795			11,147	11,357
Part-Time Faculty Compensation	909,910				909,910	909,910
CalWorks Welfare to Work	2,528				2,528	2,528
SWP - Grossmont Cuy - City	871	76,478			77,349	77,349
BS Partnership Pilot Prg Mesa 17-18	71,327				71,327	47,728
BS Partnership Pilot Prg MMR	126,331				126,331	93,478
SWP - Grossmont Cuy- MMR	126,409	11,246			137,655	137,655
SWP - Grossmont Cuy- MESA	125,000				125,000	80,509
BS Partnership Pilot Prg City	56,179				56,179	31,073
Student Equity Plan 15-16	137				137	(114)
SWP - Grossmont Cuy- Cont Ed	125,000				125,000	33,350
Guided Pathways 17-18	1,098,893				1,098,893	-
Industry Sector Projects in Common	-	80,000			80,000	-
Math ESA/CCCP City	3,942				3,942	3,942
MESA- City	32,109	44,709			76,818	76,818
Campus Safety & Sexual Assault	81,469				81,469	48,000
Cal-Works	2,152,372				2,152,372	2,262,528
TANF	296,148	91,190			387,338	464,574
Prop 39 Clean Energy Wrkforce Prg	28,880				28,880	-
CAYFS	802,770				802,770	-
Proposition 20 Lottery funds	1,757,765	944,854			2,702,619	1,607,864
Commission on POST	80,279	118,616			198,895	199,273
	<u>\$ 54,834,153</u>	<u>\$ 3,875,483</u>	<u>\$ -</u>	<u>\$ 799,708</u>	<u>\$ 59,509,345</u>	<u>\$ 53,879,604</u>

Note : Certain programs use resources from the prior year ending balance and/or carry over balances into the subsequent fiscal year beginning fund balance;

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT**

For the Fiscal Year Ended June 30, 2018

Categories	Annual - Factored			
	Reported Data	District Adjustments	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2017 only)				
1. Noncredit ¹	874.66			874.66
2. Credit ¹	453.46			453.46
B. Summer Intersession (Summer 2017 - Prior to July 1, 2018)				
1. Noncredit ¹	440.52			440.52
2. Credit ¹	3,839.12			3,839.12
C. Primary Terms (Exclusive of Summer Intersession)				
1. Census Procedure Courses				
(a) Weekly Census Contact Hours	20,752.72			20,752.72
(b) Daily Census Contact Hours	2,963.14			2,963.14
2. Actual Hours of Attendance Procedure Courses				
(a) Noncredit ¹	6,550.11			6,550.11
(b) Credit ¹	970.78			970.78
3. Independent Study/Work Experience				
(a) Weekly Census Contact Hours	3,363.73			3,363.73
(b) Daily Census Contact Hours	2,713.71			2,713.71
(c) Noncredit Independent Study/Distance Education Courses	297.50			297.50
D. Total FTES	<u>43,219.45</u>	<u>-</u>	<u>-</u>	<u>43,219.45</u>
Supplemental Information (subset of above information)				
E. In-service Training Courses (FTES)	1,339.17			1,339.17
H. Basic Skills courses and Immigrant Education				
(a) Noncredit ¹	4,275.69			4,275.69
(b) Credit ¹	2,401.74			2,401.74
<u>CCFS 320 Addendum</u>				
CDCP Noncredit FTES	6,112.91			6,112.91
Centers FTES				
(a) Noncredit ¹	7,953.75			7,953.75
(b) Credit ¹				

¹Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

The audit resulted in no adjustments to the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

Unrestricted Fund Balance	\$ 6,565,629
Restricted Fund Balance	60,456,251
Debt Service Funds	59,464,186
Child Development Fund	1,234,829
Capital Outlay Funds Balance	80,638,374
Enterprise Funds Balance	(789,785)
Auxiliary Fund Balance (not included on CCFS-311)	754,340
Self Insurance Fund Balance	11,580,657
All Other Funds	<u>4,352,979</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	<u>\$ 224,257,460</u>

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$ 224,257,460
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets. Capital assets, net of accumulated depreciation of \$124,132 are already recorded in the governmental funds.	1,504,705,730
Deferred charges associated with debt refundings are capitalized. These amounts will be amortized to interest expense over the life of the refunded debt.	45,283,555
Deferred outflows associated with pension costs and OPEB result from pension and OPEB contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	103,397,554
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences of \$913,260 is already recorded in the General Fund.	(11,547,197)
Claims payable on self-insured programs are not due and payable in the current period and therefore are not reported in the government funds. The short term portion of claims payable of \$4,104,038 is already recorded in the governmental funds.	(692,593)
Long term liability related to general obligation bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long term obligations are added to the statement of net position which reduces the total net assets reported.	(1,544,136,670)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan and OPEB is recorded as net pension and OPEB liabilities. The proportionate share of STRS Medicare Premium Program is also recorded as a liability.	(347,366,266)
Interest related to bonds incurred through June 30, 2018 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(22,367,636)
Deferred inflows associated with pension costs and OPEB represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the difference between the expended and actual experience, the difference in proportion and changes in assumptions. These amounts are deferred and amortized.	<u>(22,842,783)</u>
Total net position	<u>\$ (71,308,846)</u>

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2018**

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Object/TOP Codes		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries - Contract or Regular	1100	44,487,866		44,487,866	44,487,866		44,487,866
Instructional Salaries - Other	1300	49,254,201		49,254,201	49,254,201		49,254,201
Total Instructional Salaries		93,742,067	-	93,742,067	93,742,067	-	93,742,067
Non-Instructional Salaries - Contract or Regular	1200			-	22,691,493		22,691,493
Non-Instructional Salaries - Other	1400			-	2,030,907		2,030,907
Total Non-Instructional Salaries		-	-	-	24,722,400	-	24,722,400
Total Academic Salaries		93,742,067	-	93,742,067	118,464,467	-	118,464,467
<u>Classified Salaries</u>							
Non-Instructional Salaries - Regular Status	2100	-		-	54,024,416		54,024,416
Non-Instructional Salaries - Other	2300	-		-	2,598,017		2,598,017
Total Non-Instructional Salaries		-	-	-	56,622,433	-	56,622,433
Instructional Aides - Regular Status	2200	6,808,017		6,808,017	6,808,017		6,808,017
Instructional Aides - Other	2400	1,509,904		1,509,904	1,509,904		1,509,904
Total Instructional Aides		8,317,921	-	8,317,921	8,317,921		8,317,921
Total Classified Salaries		8,317,921	-	8,317,921	64,940,354	-	64,940,354
Employee Benefits	3000	38,297,279	-	38,297,279	72,744,817		72,744,817
Supplies and Materials	4000	-	-	-	3,241,996		3,241,996
Other Operating Expenses	5000	340,669	-	340,669	24,165,808		24,165,808
Equipment Replacement	6420			-	4,739,762		4,739,762
Total Expenditures Prior to Exclusions		140,697,936	-	140,697,936	288,297,204	-	288,297,204
<u>Exclusions</u>							
<u>Activities to Exclude</u>							
Instructional Staff-Retirees' Benefits & Retirement Incentives	5900	178,379		178,379	178,379		178,379
Student Health Services Above Amount Collected	6441			-	-		-
Student Transportation	6491			-	1,260		1,260
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	1,149,135		1,149,135
<u>Objects to Exclude</u>							
Rents and Leases	5060			-	357,326		357,326
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-			-
Employee Benefits	3000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Other Operating Expenses and Services	5000			-	7,026,954		7,026,954
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment - Additional	6410			-	4,727,810		4,727,810
Equipment - Replacement	6420			-	11,952		11,952
Other Outgo	7000			-			-
Total Exclusions		178,379	-	178,379	13,452,816	-	13,452,816
Total for ECS 84362, 50% Law		140,519,557	-	140,519,557	274,844,388	-	274,844,388
Percent of CEE (Instructional Salary Cost/Total CEE)		51.13%	0%	51.13%	100%	0%	100%
50% of Current Expense of Education					137,422,194	-	137,422,194

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2018**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 34,644,775
Activity Classification	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	\$ 34,644,775	\$ -	\$ -	\$ 34,644,775
					-
					-
Total Expenditures for EPA*		\$ 34,644,775	\$ -	\$ -	34,644,775
Revenue less Expenditures					
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance. The District did not provide federal awards to subrecipients during the year ended June 30, 2018.

Schedule of State Financial Assistance – Grants

The Schedule of State Financial Assistance was prepared on the full accrual basis of accounting.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the District's annual source of funding.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS- 311). This schedule is prepared to show a reconciliation between the governmental fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS- 311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

Proposition 55 Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 55 Education Protection Act were expended.

OTHER INDEPENDENT AUDITOR'S REPORT



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
San Diego Community College District
San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of San Diego Community College District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California

December 6, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Trustees
San Diego Community College District
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited San Diego Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002 that we consider to be a significant deficiency.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California

December 6, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
San Diego Community College District
San Diego, California

We have audited the San Diego Community College District's (the District) compliance with the types of compliance requirements described in the *2017-18 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2018. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:


<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
428	Student Equity	Yes
429	Student Success and Support Program (SSSP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
444	Apprenticeship Related and Supplemental Instruction Funds (RSI)	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not applicable
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2017-2018 Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP
Glendora, California
December 6, 2018

FINDINGS AND QUESTIONED COSTS

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS

June 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted?

Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? X Yes None Reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X Yes No

Identification of Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, and 84.268	Student Financial Aid Cluster
84.031	Higher Education Institutional Aid

Dollar threshold used to distinguish between type A and type B programs:

\$1,957,634

Auditee qualified as low-risk auditee?

X Yes No

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2018

Finding 2018-001: Internal Controls Over Financial Reporting

Condition

Our audit procedures applied to the beginning balances revealed the lack of a systematic method to insure the financial statements are prepared accurately and in compliance with generally accepted governmental accounting principles. The following deficiencies were noted related to the beginning balances and to the closing process:

- The reconciliations between the combining balance sheet to the statement of net position and the combining schedule of revenue, expenditure and changes in fund balance to the statement of revenues, expenses and changes in net position were not prepared properly. The amounts included on the reconciliations did not tie to the actual financial statements. The net position balance at June 30, 2017 was overstated by \$18.7 million.
- The refunding of General Obligation Bonds were not properly recorded resulting in the balance of general obligation bonds liability and the related premium to be overstated by \$90.2 million. In addition, generally accepted governmental accounting standards requires a deferred charge to be calculated when bonds are refunded. Evidence that this calculation was done for the 2016-17 fiscal year was not available. The calculation was completed in September 2018 and resulted in the recording of a deferred charge on refunding of \$47.2 million.
- Long term debt at June 30, 2017 included \$8.5 million in legal claims. Supporting documentation for this balance could not be provided. After additional research, it was determined that this amount is related to the liability for open and incurred but not recorded claims. The general ledger already includes \$4.1 million for this liability, therefore, long term debt was overstated by the \$8.5 million.
- Ending fund balances for the Auxiliary Organization and the Other Internal Service Fund did not reconcile to the general ledger by \$333,378 and \$93,070, respectively.
- Various schedules were either not completed or did not reconcile to the general ledger at the time of the audit. Additional work was needed to complete these tasks and audit fieldwork was postponed from August 2018 to November 2018
 - Final schedule of general obligation bonds, accreted interest, premiums and accrued interest were provided at the end of October 2018
 - Final schedule of capital assets was provide at the end of October 2018

Criteria

GAAP

Effect

Required prior period adjustments.

Cause

Nonconformity with GAAP.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2018

Recommendation:

Establish a system of consistent monthly reconciliations and closing procedures at the District Office and campus levels. To provide more accurate financial statements, establish effective review and reconciliation policies and procedures as a customary part of the business operations and accounting process. This would include monthly reconciliations of all accounts, including general obligation bonds and capital assets, recording adjustments throughout the year that have typically been made at year-end only and perform regular reviews of the general ledger throughout the year.

Management Response:

Clearly, management is responsible for ensuring financial statement information is accurate and has been properly reported, for the selection and application of accounting principles and for the preparation and fair presentation of the financial statements. During the course of the CLA audit for FY 2017-18, the District became aware of several issues related to the prior year's audit, which has resulted in this finding.

All of the items requiring a restatement of financial statements as of June 30, 2017 in accordance with Generally Accepted Accounting Principles (GAAP) listed in Finding 2018-001 are the direct responsibility of the District and are specifically assigned to the District Controller and the Fiscal Services department under his management. The fact that certain balances reported in the June 30, 2017 financial statements and/or the accompanying footnotes are not in agreement, and in some cases, do not reconcile to the general ledger or other supporting documentation is unacceptable.

Executive Vice Chancellor, Business and Technology Services will be directing the District Controller to ensure that monthly reconciliations and annual closing procedures at the District Office and campus levels are completed. Executive Vice Chancellor, Business and Technology Services will also direct the establishment of an effective review and reconciliation process as an ongoing activity by the District's Fiscal Services and Campus' Business Services offices. Review and reconciliation activities need to be handled on a monthly basis and not wait until year-end. In addition to improving upon internal control process through monthly reconciliation of all accounts as recommended by CLA, the District will conduct staff training with regard to Fiscal Services' business operations and also related to annual audit processes. Based upon issues that arose this year it became clear that there has not been adequate training of staff, which will to be corrected immediately.

In addition to the District's responsibility for the accuracy of financial statements, given that a sizeable portion of the prior year's \$112 million Net Position adjustment being related to the refunding of several General Obligation Bonds not being properly recorded, the District will be in contact with the prior auditing firm. CLA has already notified, on behalf of the District, the auditing firm that had conducted the 2016-17 audit of the issues related to the need for a restatement during the 2017-18 auditing process. The response from the principal of the firm clearly pointed to the District being responsible for the accuracy of the financial statements and

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2018

supporting documentation. While this is true and the District decided in the interest of time in order to timely complete the 2017-18 audits, CLA did the work related to the restatement, for which CLA will be compensated. Further action with the former auditing firm is being considered by the District.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2018

Finding 2018-002: Special Tests and Provisions: Enrollment Reporting

Federal agency: Department of Education

Federal program title: Student Financial Aid Cluster

CFDA Numbers: 84.268 – Federal Direct Student Loans

Award Period: July 1, 2017 through June 30, 2018

Type of Finding:

Significant Deficiency in Internal Control over Compliance; Compliance

Criteria:

Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a student status confirmation report sent to NSLDS within 60 days of the status change (34 CFR Section 682.610). These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure student enrollment status changes are accurately and timely reported to the NSLDS.

Condition:

During our testing we noted discrepancies for 5 out of 40 students tested, which is a statistically valid sample.

The District utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to NSLDS. However, it is possible for college to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

Questioned costs:

None

Context:

The District utilizes the National Student Clearinghouse (NSC) as a third-party provider in order to submit student information to NSLDS.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2018

Cause:

The District relied on NSC in order to submit student information to NSLDS.

Effect:

The District did not update student enrollment statuses correctly or timely to NSLDS.

Repeat Finding:

This was not a finding in the prior year.

Auditor's Recommendation:

We recommend that the District put a process in place to ensure determination of all students who withdraw or graduate are accurately and timely reported to NSLDS.

The system should include understanding if and when the NSC third-party servicer has corrected the failed software programming.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Please refer to the accompanying management's corrective action plan.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2018

There were no findings and questioned costs related to state awards for the year ended June 30, 2018.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS, FEDERAL OR STATE AWARDS
June 30, 2018**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.



SAN DIEGO COMMUNITY COLLEGE DISTRICT

3375 Camino del Rio South

San Diego, California 92108-3883

619-388-6500

CITY COLLEGE | MESA COLLEGE | MIRAMAR COLLEGE | CONTINUING EDUCATION

Business and Technology Services

Office of the Executive Vice Chancellor 619-388-6975

FAX 619-388-6670

December 3, 2018

SAN DIEGO COMMUNITY COLLEGE DISTRICT CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2018

U.S. Department of Education

San Diego Community College District respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: 2017-18

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2018-002 Enrollment Reporting

Federal agency: Department of Education

Program name: Student Financial Aid Cluster

Recommendation: We recommend that the District improve policies and procedures to ensure the timely reporting of student status changes to the NSLDS.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The District recently upgraded its Student Legacy administrative system to Oracle's PeopleSoft ERP system. The District has been in the process of transitioning after 20 plus years in its Legacy system to the new ERP system. Consequently, during 2017-18 the District was maintaining its current system (Legacy) while Financial Aid years overlapped with reporting processes. Maintaining two systems, while defining business processes and implementing the new system has been taxing on both functional and technical staff.

With the new PeopleSoft system, it was evident to the District early on that a new Business Analyst position was needed to support the productions processes and reporting for Financial Aid. The new position was brought on board in June 2018, the fiscal year-end for this audit period. The Business Analyst is responsible for centrally monitoring all reporting for the Financial Aid departments, including confirmation of NSLSD timely reporting.

Names of the contact persons responsible for corrective action: Vice Chancellor, Student Services, Dr. Lynn Neault and assigned Business Analyst.

Planned completion date for corrective action plan: Immediately.

Sincerely,

A handwritten signature in blue ink that reads "Bonnie Ann Dowd". The signature is fluid and cursive, with the first name being the most prominent.

Bonnie Ann Dowd, Ed.D, MBA, CMA
Executive Vice Chancellor
Business and Technology Services

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APPENDIX B

FORMS OF OPINION OF BOND COUNSEL

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 Series A Bonds in substantially the following form:

October 16, 2019

Board of Trustees
San Diego Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$437,965,000 San Diego Community College District (San Diego County, California) 2019 General Obligation Refunding Bonds, Series A (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 California Government Code, and a resolution adopted by the Board of Trustees of the San Diego Community College District (the "District") on August 22, 2019 (the "Resolution").

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 payment 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 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,

Stradling Yocca Carlson & Rauth

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

October 16, 2019

Board of Trustees
San Diego Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$255,470,000 San Diego Community College District (San Diego County, California) 2019 General Obligation Refunding Bonds, Series B (Federally Taxable – 2023 Crossover) (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 California Government Code, and a resolution adopted by the Board of Trustees of the San Diego Community College District (the “District”) on August 22, 2019 (the “Resolution”).

2. Prior to August 1, 2023 (the “Crossover Date”), the Bonds will be secured by and payable solely from proceeds of the Bonds on deposit in an escrow fund established therefor. From and after the Crossover Date, the Bonds shall 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 within the District subject to taxation thereby, 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 payment 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 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,

Stradling Yocca Carlson & Rauth

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the San Diego Community College District (the “District”) in connection with the issuance of \$437,965,000 of the District’s 2019 General Obligation Refunding Bonds, Series A (Federally Taxable) and \$255,470,000 of the District’s 2019 General Obligation Refunding Bonds, Series B (Federally Taxable – 2023 Crossover) (together, the “Bonds”). The Bonds are being issued pursuant to a Resolution of the Board of Trustees of the District adopted on August 22, 2019. 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 Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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 initially mean 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 Municipal Securities Rulemaking Board consistent with the Rule.

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

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

“Official Statement” shall mean the Official Statement, dated as of September 17, 2019, relating to the offer and sale of the Bonds.

“Participating Underwriters” shall mean any of the original underwriters 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 months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2018-19 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 substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

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

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

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

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

- (a) State funding received by the District for the last completed fiscal year;
- (b) Enrollment and full time equivalent students (“FTES”) of the District for the last completed fiscal year;
- (c) Outstanding District indebtedness; and
- (d) Summary financial information on revenues, expenditures and fund balances for the District’s general fund reflecting adopted budget for the prior fiscal year.
- (e) assessed valuation for real property located in the District for the then-current fiscal year; and
- (f) secured ad valorem tax delinquencies within the District for the current year, to the extent that the County discontinues the Teeter Plan (as such term is defined in the Official Statement).

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, and accompanied by identifying information, as 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)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. 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.
4. release, substitution or sale of property securing repayment of the Bonds.
5. 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.
6. 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.
7. appointment of a successor or additional paying agent with respect to the Bonds or the change of name of such paying agent.
8. incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, 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 Section 5(a) or Section 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.

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 Underwriters, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters 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: October 16, 2019

SAN DIEGO COMMUNITY COLLEGE DISTRICT

By: _____
Executive Vice Chancellor, Business and
Technology Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: SAN DIEGO COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: 2019 General Obligation Refunding Bonds, Series A (Federally Taxable)
2019 General Obligation Refunding Bonds, Series B (Federally Taxable – 2023
Crossover)

Date of Issuance: October 16, 2019

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: _____

SAN DIEGO COMMUNITY COLLEGE DISTRICT

By _____ [form only; no signature required]

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SAN DIEGO AND SAN DIEGO COUNTY, CALIFORNIA

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

General

The City of San Diego. The City was incorporated in 1850 and is a Charter City with a Strong-Mayor form of government. The Mayor is elected at large to serve a four-year term and may serve up to two consecutive terms. The Mayor is the Chief Executive Officer of the City. The City Council consists of nine members who are elected to staggered four-year terms, with each limited to two consecutive terms. The Council has legislative authority, however, other than certain emergency declarations and salary ordinances, all City Council resolutions and ordinances are subject to a veto by the Mayor. The City’s economic base has evolved from one with a greater reliance on defense spending and tourism to one that includes more high-technology manufacturing and an expanded international trade sector, anchored by major scientific research institutions and higher education.

San Diego County. One of the original 27 California counties, San Diego County was incorporated in 1850 and is a Charter County with an elected five-member Board of Supervisors. Each board member is limited to no more than two terms, and must reside in the district from which he or she is elected to four-year terms in district nonpartisan elections. The Board of Supervisors governs the County. The County, which covers 4,261 square miles, has 70 miles of coastline and is the southernmost major metropolitan area in the State of California (the “State”), with an international border shared with Mexico. The Cleveland National Forest occupies much of the interior portion of the County, and the County offers a wide range of climate and terrain, from mountain ranges to desert. The County is highly dependent on imported water, with an average annual rainfall in the coastal areas of 12 inches. The local economy is primarily based on the largest concentration of military in the nation, as well as biomedical and technology-oriented industries and tourism.

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Population

The following table shows the historical population figures for the City, the County and the State for the last 10 years.

POPULATION ESTIMATES
2010 through 2019
City of San Diego, San Diego County and the State of California

<u>Year⁽¹⁾</u>	<u>City of San Diego</u>	<u>San Diego County</u>	<u>State of California</u>
2010 ⁽²⁾	1,301,617	3,095,313	37,253,956
2011	1,313,779	3,125,264	37,594,781
2012	1,329,294	3,161,750	37,971,427
2013	1,348,843	3,201,417	38,321,459
2014	1,363,549	3,235,142	38,622,301
2015	1,380,886	3,267,992	38,952,462
2016	1,388,101	3,287,279	39,214,803
2017	1,396,510	3,309,626	39,504,609
2018	1,414,373	3,333,128	39,740,508
2019	1,420,572	3,351,786	39,927,315

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.

2011-19 (2010 Demographic Research Unit Benchmark): California Department of Finance for January 1.

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Income

The following table summarizes per capita personal income for the County, the State and the United States for the past 10 years.

PER CAPITA PERSONAL INCOME
2008 through 2017
San Diego County, the State of California and the United States

<u>Year</u>	<u>San Diego County</u>	<u>State of California</u>	<u>United States</u>
2008	\$45,136	\$43,895	\$40,904
2009	43,086	42,050	39,284
2010	44,113	43,609	40,545
2011	46,505	46,145	42,727
2012	48,256	48,751	44,582
2013	49,460	49,173	44,826
2014	52,166	52,237	47,025
2015	54,742	55,679	48,940
2016	56,116	57,497	49,831
2017	57,913	59,796	51,640

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2017 reflect county population estimates available as of March 2018. Last updated: March 6, 2019 – revised statistics for 1969 - 2000. All dollar estimates are in current dollars (not adjusted for inflation).

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

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Principal Employers

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

PRINCIPAL EMPLOYERS 2018 City of San Diego

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
Naval Base San Diego	National Security and International Affairs	38,729
University of California, San Diego	Services: Education	37,412
Sharp Health Care	Services: Health	18,364
County of San Diego	Public Administration	18,132
San Diego Unified School District	Services: Education	13,815
Scripps Health	Services: Health	12,000
City of San Diego	Public Administration	11,538
Qualcomm Inc.	Communications	10,700
Kaiser Permanente	Services: Health	9,599
San Diego Community College District	Services: Education	6,447

Source: City of San Diego Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018.

PRINCIPAL EMPLOYERS 2018 San Diego County

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
University of California, San Diego	Services: Education	34,448
Naval Base San Diego	National Security and International Affairs	34,185
Sharp HealthCare	Services: Health	18,364
County of San Diego	Public Administration	17,413
Scripps Health	Services: Health	14,941
San Diego Unified School District	Services: Education	13,815
Qualcomm Inc.	Communications	11,800
City of San Diego	Public Administration	11,462
Kaiser Permanente San Diego	Services: Health	9,606
UC San Diego Health	Services: Education	8,932

Source: San Diego County Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018.

Employment

The following table summarizes the labor force, employment, and unemployment figures for the years 2014 through 2018 for the City, the County, the State and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES 2014 through 2018⁽¹⁾ City of San Diego, San Diego County, the State of California, and the United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u> ⁽³⁾	<u>Unemployment Rate (%)</u>
<u>2014</u>				
City of San Diego	691,700	649,400	42,300	6.1
San Diego County	1,540,700	1,441,700	99,000	6.4
State of California	18,758,400	17,351,300	1,407,100	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
<u>2015</u>				
City of San Diego	695,600	661,200	34,400	4.9
San Diego County	1,550,100	1,469,500	80,600	5.2
State of California	18,896,500	17,724,800	1,171,700	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
<u>2016</u>				
City of San Diego	704,800	672,600	32,200	4.6
San Diego County	1,564,300	1,490,500	73,900	4.7
State of California	19,093,700	18,048,800	1,044,800	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<u>2017</u>				
City of San Diego	711,800	684,200	27,700	3.9
San Diego County	1,574,600	1,511,400	63,200	4.0
State of California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
City of San Diego	720,000	696,900	23,100	3.2
San Diego County	1,592,200	1,539,500	52,700	3.3
State of California ⁽⁴⁾				
United States	162,075,000	155,761,000	6,314,000	3.9

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) 2018 Annual State of California statistics not yet available.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, March 2018 Benchmark.

Industry

The County is located in the San Diego-Carlsbad Metropolitan Statistical Area. The distribution of employment is presented in the following table for the last five years. The figures for Metropolitan Statistical Areas are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2014 through 2018 San Diego County (San Diego - Carlsbad Metropolitan Statistical Area)

<u>Category</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Farm	9,400	9,100	8,900	8,700	9,100
Total Nonfarm	1,344,900	1,385,000	1,422,900	1,452,600	1,484,600
Total Private	1,113,000	1,148,900	1,180,600	1,206,300	1,237,000
Goods Producing	166,700	176,800	185,000	189,200	197,200
Mining, Logging and Construction	64,300	70,200	76,600	79,800	84,600
Manufacturing	102,400	106,600	108,400	109,400	112,700
Nondurable Goods	25,100	26,300	27,200	27,900	28,500
Service Providing	1,178,200	1,208,200	1,237,900	1,263,300	1,287,400
Private Service Producing	946,300	972,100	995,600	1,017,000	1,039,800
Trade, Transportation and Utilities	216,200	219,300	220,900	224,700	225,300
Wholesale Trade	44,900	44,100	43,700	43,800	43,700
Retail Trade	144,300	146,800	147,500	149,000	148,200
Transportation, Warehousing and Utilities	27,000	28,400	29,700	32,000	33,500
Information	24,500	23,800	23,700	24,000	24,000
Financial Activities	69,600	71,400	73,000	74,600	75,900
Professional and Business Services	222,400	229,300	234,500	238,800	248,800
Educational and Health Services	186,100	192,700	198,700	204,300	210,500
Leisure and Hospitality	175,500	182,400	190,400	195,600	199,900
Other Services	52,000	53,200	54,400	55,000	55,400
Government	<u>231,900</u>	<u>236,200</u>	<u>242,200</u>	<u>246,300</u>	<u>247,600</u>
Total, All Industries	<u>1,354,300</u>	<u>1,394,100</u>	<u>1,431,800</u>	<u>1,461,300</u>	<u>1,493,800</u>

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, Average Labor Force and Industry Employment. March 2018 Benchmark.

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Commercial Activity

Summaries of annual taxable sales for the City and the County for the last five years are shown in the following tables.

TAXABLE SALES 2014 through 2018 City of San Diego (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>
2014	26,522	\$16,262,595	38,088	\$22,272,059
2015	--	16,629,356	--	22,685,360
2016	--	16,815,163	--	23,222,225
2017	--	17,189,186	--	23,755,424
2018	--	17,928,898	--	24,929,405

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and later are not comparable to that of prior years.

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

TAXABLE SALES 2014 through 2018 San Diego 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>
2014	59,705	\$37,257,495	86,671	\$52,711,639
2015	--	38,521,521	--	54,717,543
2016	--	39,089,506	--	55,921,010
2017	--	40,371,714	--	57,551,359
2018	--	41,762,036	--	58,878,041

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and later are not comparable to that of prior years.

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS 2014 through 2018 City of San Diego (Dollars in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation					
Residential	\$678,295	\$1,415,107	\$1,354,480	\$1,164,181	\$1,062,683
Non-Residential	<u>1,450,401</u>	<u>1,353,053</u>	<u>1,224,465</u>	<u>1,496,960</u>	<u>1,247,164</u>
Total	\$2,128,696	\$2,768,160	\$2,578,945	\$2,661,141	\$2,309,847
Units					
Single Family	722	1,306	882	1,096	724
Multiple Family	<u>1,823</u>	<u>5,097</u>	<u>5,154</u>	<u>4,134</u>	<u>3,561</u>
Total	2,545	6,403	6,036	5,230	4,285

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

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS 2014 through 2018 San Diego County (Dollars in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation					
Residential	\$1,818,853	\$2,447,042	\$2,472,237	\$2,632,826	\$2,673,873
Non-Residential	<u>1,920,627</u>	<u>1,862,502</u>	<u>1,782,421</u>	<u>2,371,303</u>	<u>1,901,844</u>
Total	\$3,739,480	\$4,309,544	\$4,254,658	\$5,004,129	\$4,575,717
Units					
Single Family	2,276	3,136	2,420	3,960	3,438
Multiple Family	<u>4,327</u>	<u>6,869</u>	<u>7,680</u>	<u>6,056</u>	<u>6,132</u>
Total	6,603	10,005	10,100	10,016	9,570

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

Source: Construction Industry Research Board

APPENDIX E

SAN DIEGO COUNTY INVESTMENT POOL

The following information concerning the San Diego County Treasury Pool (the “Treasury Pool”) has been provided by the Treasurer-Tax Collector (the “Treasurer”) of San Diego County (the “County”), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriters. The District and the Municipal Advisor have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District nor the Municipal Advisor 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 Treasury Pool may be obtained from the Treasurer at <http://www.sdtreastax.com>; however, the information presented on such website is not incorporated herein by any reference.

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COUNTY OF SAN DIEGO INVESTMENT POOL
TREASURY INVESTMENT RESULTS

AUG
2019

TABLE OF CONTENTS

03 | Summary Portfolio Statistics

04 | Cash Flow Analysis

05 | Participant Cash Balances

06 | Investment Fund Participants

07 | Asset Allocation

07 | Asset Credit Quality

08 | Appendix

09 - Investment Policy Compliance Report

10 - Investment Inventory Report

19 - Investment Transaction Report

Note: The Information provided, including all charts, tables, graphs and numerical representations, are provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions.

SUMMARY PORTFOLIO STATISTICS

County of San Diego Pooled Money Fund

As of August 31, 2019

Investment Type	Par Value	Book Value	Market Value	% of Portfolio	Market Price	WAM	YTM	Accrued Interest	Unrealized Gain/Loss
Asset Backed Securities	802,436,035	802,312,760	809,948,880	9.30	100.936	1171	2.46	1,075,389	7,636,120
Commercial Paper Disc	1,321,000,000	1,318,481,856	1,318,585,320	15.28	99.817	29	2.41	-	103,465
Federal Agency	2,890,746,000	2,893,341,749	2,906,394,254	33.54	100.541	918	1.98	14,191,668	13,052,505
Medium-Term Notes	780,154,000	781,520,878	788,928,286	9.06	101.128	769	2.54	3,552,623	7,407,408
Negotiable CDs	1,212,000,000	1,212,000,680	1,214,564,360	14.05	100.212	125	2.67	15,209,101	2,563,680
Suprationals	1,058,250,000	1,059,562,523	1,076,027,900	12.28	101.680	964	2.15	6,390,640	16,465,377
Treasury Coupon Securities	443,000,000	442,311,033	445,912,050	5.13	100.667	804	1.71	1,639,020	3,601,017
Money Market Accounts	102,400,000	102,400,000	102,400,000	1.19	100.000	1	2.03	226,678	-
Bank Deposit	8,578,293	8,578,293	8,578,293	0.10	100.000	1	2.00	8,493	-
Sweep Fund	7,299,067	7,299,067	7,299,067	0.08	100.000	1	1.57	8,790	-
Totals for August 2019	8,625,863,395	8,627,808,837	8,678,638,410	100.00	100.616	668	2.25	42,302,401	50,829,572
Totals for July 2019	9,359,145,813	9,357,451,826	9,373,134,575	100.00	100.152	615	2.31	45,586,333	15,682,749
Change from Prior Month	(733,282,418)	(729,642,989)	(694,496,165)		0.464	53	-0.06	(3,283,931)	35,146,823

Portfolio Effective Duration 1.15 years

Return Information	Fiscal Year To		Calendar Year	
	Monthly Return	Annualized	Date Return	Annualized
Book Value	0.190%	2.240%	0.388%	2.281%
			To Date Return	Annualized
			1.597%	2.398%

Notes

Yield to maturity (YTM) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the maturity date.

Weighted Average Maturity (WAM) is average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio.

Yields for the portfolio are aggregated based on the book value of each security.

Monthly Investment Returns are reported gross of fees. Administration fees since fiscal year 17-18 have averaged approximately 7 basis points per annum.

**All Investments held during the month of August 2019 were in compliance with the Investment Policy dated January 1, 2019.

PROJECTED LIQUIDITY

County of San Diego Pooled Money Fund

As of August 31, 2019

(\$000)

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Beginning Pool Book Balance	8,627,809	8,274,786	8,528,876	8,470,517	9,792,205	8,857,432
CASH FLOW ITEMS						
INFLOWS:						
Investment Inflows	1,090,835	587,629	352,263	390,000	244,170	214,238
Projected Credits/Deposits	829,177	1,399,390	1,204,907	2,974,450	742,494	1,003,081
	1,920,012	1,987,019	1,557,170	3,364,450	986,664	1,217,319
Outflows						
Investment Purchases	105,157	-	-	-	-	-
Projected Debits	1,182,200	1,145,300	1,263,266	1,652,762	1,677,267	1,217,758
	1,287,357	1,145,300	1,263,266	1,652,762	1,677,267	1,217,758
Net Cash Flows	(353,023)	254,090	(58,359)	1,321,688	(934,773)	(214,677)
MONTH END POOL BALANCE	8,274,786	8,528,876	8,470,517	9,792,205	8,857,432	8,642,755
PROJECTED MONTH END LIQUIDITY	\$ 937,451	\$ 1,779,170	\$ 2,073,074	\$ 3,784,762	\$ 3,094,159	\$ 3,093,720

Note: The above is not meant to be a complete Cash Flow Statement. The data represents a subset of the main cash flow items and does not include accrued interest or other adjustment items.

The projected cash flows indicate sufficient liquidity to meet all scheduled expenditures for the next 6 months.

PARTICIPANT CASH BALANCES

County of San Diego Pooled Money Fund

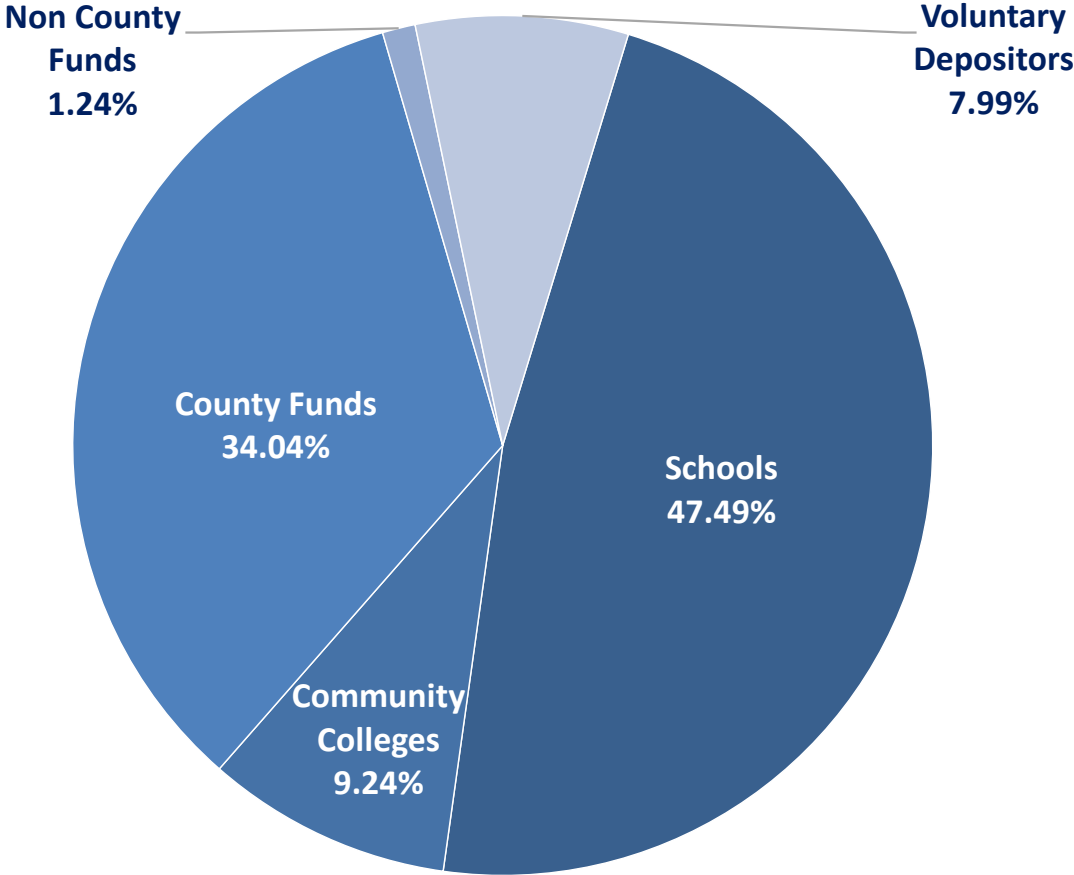
As of August 31, 2019

(\$'000)

PARTICIPANT	FMV 06/30/19	FMV 07/31/19	FMV 08/31/19	% of Total	PARTICIPANT	FMV 06/30/19	FMV 07/31/19	FMV 08/31/19	% of Total
COUNTY	\$ 694,831	\$ 708,611	\$ 745,793	8.59%	Lake Cuyamaca Rec & Park District	202	196	217	
COUNTY - SPECIAL TRUST FUNDS	3,117,876	2,400,961	2,208,281	25.45%	Lakeside FPD	10,890	8,785	7,618	
NON-COUNTY INVESTMENT FUNDS	115,495	109,881	107,992	1.24%	Leucadia Wastewater District	4,815	4,860	4,871	
SCHOOLS - (K THRU 12)	4,511,537	4,504,594	4,121,379	47.49%	Lower Sweetwater FPD	712	721	727	
					Metropolitan Transit System	32,660	39,390	36,773	
COMMUNITY COLLEGES					Mission Resource Conservation District	229	209	186	
San Diego	201,921	195,342	139,204	1.60%	North County Cemetery District	5,486	5,526	5,798	
Grossmont-Cuyamaca	202,278	193,178	161,442	1.86%	North County Dispatch	3,319	3,235	2,993	
MiraCosta	140,061	134,231	109,711	1.26%	North County FPD	4,148	3,341	2,833	
Palomar	267,106	255,924	236,072	2.72%	Otay Water District	281	283	284	
Southwestern	197,427	196,043	155,056	1.79%	Pomerado Cemetery District	1,988	1,948	1,927	
Total Community Colleges	1,008,794	974,718	801,487	9.24%	Public Agencies Self-Insurance System	3,492	3,525	3,533	
					Ramona Cemetery District	1,024	992	962	
FIRST 5 COMMISSION	31,881	37,122	29,144		Rancho Santa Fe FPD	16,022	14,074	13,015	
SANCAL	784	15,427	15,461		Rincon del Diablo Municipal Water District	4,646	4,684	4,695	
SDCERA	5,564	604	604		SANDAG	98,659	100,521	103,463	
					SD County Regional Airport Authority	241,032	201,568	207,213	
CITIES					San Diego Housing Commission	21,319	21,521	21,569	
Chula Vista	57,704	56,898	57,026		San Diego Geographic Information Source	379	501	423	
Coronado	30,673	42,098	37,171		San Diego Law Library	3,813	3,866	3,693	
Del Mar	2,668	2,693	2,699		San Diego Local Agency Formation Comm	844	1,878	1,935	
El Cajon	5,000	5,039	5,050		San Diego Regional Training Center	745	518	470	
Encinitas	4,045	4,084	4,093		San Dieguito River Park	1,179	1,494	1,846	
National City	8,354	8,433	40,590		San Marcos FPD	1	1	1	
Oceanside	9,992	10,031	10,054		San Miguel Consolidated FPD	11,798	10,650	8,593	
					Santa Fe Irrigation District	4,340	4,381	4,391	
INDEPENDENT AGENCIES					Serra Cooperative Library System	1	2	2	
Alpine FPD	2,491	1,890	1,624		Upper San Luis Rey Resource Conserv Dist	60	60	60	
Bonita-Sunnyside FPD	6,042	5,569	5,175		Vallecitos Water District	5,331	5,382	5,394	
Borrego Springs FPD	1,296	1,167	1,052		Valley Center FPD	2,356	2,041	1,832	
Canebrake County Water District	53	53	53		Valley Center Cemetery District	432	440	441	
Deer Springs FPD	11,175	11,257	11,391		Valley Center Water District	24,283	22,141	21,481	
Fallbrook Public Utility District	15	15	15		Vista FPD	3,015	3,074	3,081	
Grossmont Healthcare District	2	2	2		Total Voluntary Participants	687,413	674,370	693,706	7.99%
Julian-Cuyamaca FPD	172	177	181						
					Pooled Money Fund Total	\$ 10,135,946	\$ 9,373,134	\$ 8,678,638	100.00%

INVESTMENT FUND PARTICIPANTS

San Diego Pooled Money Fund As of August 31, 2019

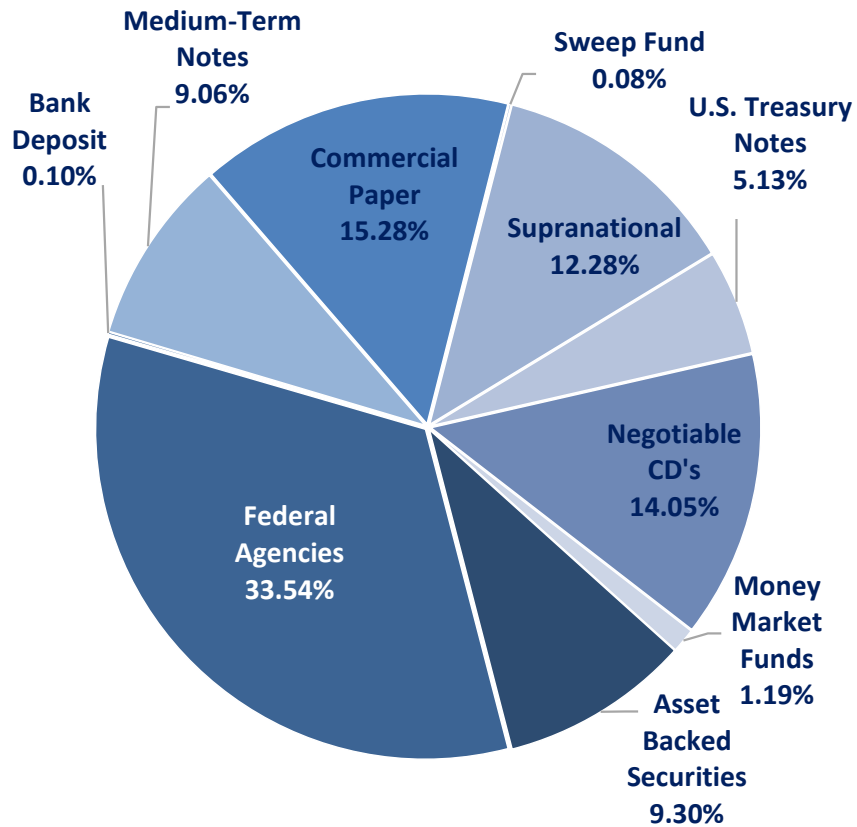


*Totals may not add to 100% due to rounding

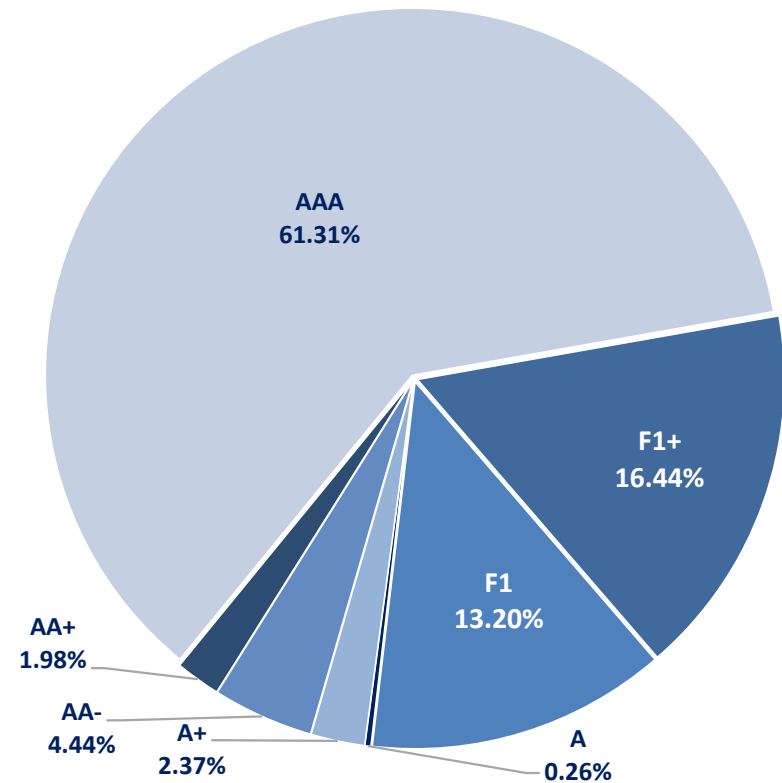
INVESTMENT FUND OVERVIEW

As of August 31, 2019

Asset Allocation



Credit Quality



*Totals may not add to 100% due to rounding



APPENDIX



INVESTMENT POLICY COMPLIANCE REPORT

County of San Diego Pooled Money Fund As of August 31, 2019

Category	Standard	Comment
Treasury Issues	No Limit	Complies - 5.1%
Agency Issues	35% per issuer	Complies
Local Agency Obligations	SP-1/"A" by S&P or MIG1/"A" by Moody's or F-1/"A" by Fitch minimum rating by 1 of 3 NRSROs; (ST ratings for 1 year or less; LT ratings for over 1 year) ; 30% maximum; 10% per issuer	Complies
Banker's Acceptance	A-1 by S&P or P-1 by Moody's or F-1 by Fitch minimum rating by 1 of 3 NRSROs; 40% maximum; 5% per issuer; 180 days max maturity	Complies
Commercial Paper	A-1/"A" by S&P or P-1/"A" by Moody's or F-1/"A" by Fitch minimum rating by 1 of 3 NRSROs; 40% maximum; 10% per issuer; 270 days max maturity	Complies - 15.3%
Medium Term Notes	A-1/"A" by S&P or P-1/"A" by Moody's or F-1/"A" by Fitch minimum rating by 1 of 3 NRSROs; (ST ratings for 1 year or less; LT ratings for over 1 year); 30% maximum; 5% per issuer	Complies - 9.1%
Negotiable Certificates of Deposit	A-1/"A" by S&P or P-1/"A" by Moody's or F-1/"A" by Fitch minimum rating by 1 of 3 NRSROs; (ST ratings for 1 year or less; LT ratings for over 1 year); 30% maximum; 10% per issuer; 5 years maximum maturity for NCDs; 13 months max maturity for FDIC insured	Complies - 14.0%
Repurchase Agreements	40% maximum; 10% per issuer if avg weighted maturity >5 days; 15% per issuer if avg weighted maturity <5 days; 1-year maximum maturity;	Complies
Reverse Repurchase Agreements	20% maximum combined with Securities Lending; 10% per issuer; 92-day maximum maturity	N/A
Collateralized Certificates of Deposit	A-1 by S&P or P-1 by Moody's, or F-1 by Fitch minimum rating; 5% maximum; 5% per issuer; 13 months maximum maturity; 110% collateral required	Complies
FDIC & NCUA Insured Deposit	5% maximum; 5% per issuer; 13 months maximum maturity; No minimum credit requirement for FDIC or NCUA insured deposit accounts	Complies - 0.1%
Covered Call Option/ Put Option	10% maximum; 90-day maximum maturity	N/A
Money Market Mutual Funds	AAAm by S&P, or Aaa-mf by Moody's, or AAAmmf by Fitch minimum rating by 1 of 3 NRSROs; 20% maximum; 10% per fund	Complies - 1.3%
Investment Trust of California - CalTRUST	2.5% maximum	Complies
Supranationals	A-1/"AA" by S&P or P-1/"Aa" by Moody's, or F-1/"AA" by Fitch minimum rating by 1 of 3 NRSROs; 30% maximum; 10% per issuer; USD denominated senior unsecured unsubordinated obligations issued by IBRD, IFC, and IADB	Complies - 12.3%
Pass-Through Securities	Non-mortgaged backed; "A" minimum rated issuer by 1 of 3 NRSROs; "AA" minimum rated by 1 of 3 NRSROs; 20% maximum; 5% per issuer	Complies - 9.3%
Maximum Maturity	5 years	Complies
Illiquidity Limitations	10% maximum for combined categories for Collateralized CDs and FDIC Insured Deposit Accounts	Complies
Maximum Issuer Exposure	10% per any single CP and CD issuer, and 5% per any single issuer for the other categories listed above (does not include US Government, repurchase agreements, supranationals, money market fund)	Complies
Maturity Policy - Portfolio Structure	Minimum 25% ≤ 90 days; and minimum 50% ≤ 1 year; maximum effective duration for portfolio 1.5 years	Complies
Prohibited Securities	Inverse floaters; Ranges notes, Interest-only strips from mortgaged backed securities; Zero interest accrual securities	Complies
Credit Rating Policy - monitoring ratings	Overall credit rating of AAAs/S1, by Fitch; Investments rated below A-1 (short term) or below the "A" category (long term), at the time of purchase, are prohibited in this policy	Complies
Securities Lending	92-day maximum maturity; 10% per counterparty; 20% maximum combined with Reverse Repurchase Agreements	N/A

*Complied at time of purchase

INVESTMENT INVENTORY - MARKET VALUE

County of San Diego Pooled Money Fund As of August 31, 2019

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Asset Backed Securities									
John Deere Owner Trust	03/13/2019	7,766,487.64	7,766,487.64	7,767,950.85	2.63	2.65	03/16/2020	4,867.73	1,463.21
Honda Auto Rec Owner Trust	04/10/2019	7,316,022.20	7,316,022.20	7,316,001.72	2.60	2.62	04/15/2020	6,283.55	(20.48)
Ford Credit Auto Owner Trust	06/21/2019	6,962,711.21	6,962,711.21	6,963,694.34	2.39	2.40	07/15/2020	6,777.73	983.13
Harley-Davidson Motorcycle Tru	06/26/2019	4,482,528.30	4,482,528.30	4,483,639.07	2.39	2.40	07/15/2020	4,371.36	1,110.77
Toyota Auto Receivables	01/31/2018	4,546,437.32	4,545,972.67	4,545,992.68	2.10	2.12	10/15/2020	4,243.30	20.01
Honda Auto Rec Owner Trust	10/25/2016	2,756,761.58	2,756,582.67	2,749,299.03	1.21	1.22	12/18/2020	1,204.58	(7,283.64)
Honda Auto Rec Owner Trust	05/30/2018	10,245,284.61	10,245,269.24	10,258,182.40	2.60	2.61	12/18/2020	(6,479.38)	12,913.16
Honda Auto Rec Owner Trust	08/28/2018	18,561,451.86	18,561,130.75	18,588,351.12	2.67	2.69	12/22/2020	13,766.43	27,220.37
Honda Auto Rec Owner Trust	01/16/2019	979,116.58	977,663.20	980,535.52	2.67	2.65	12/22/2020	726.18	2,872.32
Toyota Auto Receivables	03/12/2019	4,743,649.47	4,715,298.71	4,737,935.74	1.76	2.66	07/15/2021	7,491.63	22,637.03
Toyota Auto Receivables	11/07/2018	17,242,584.54	17,241,075.81	17,302,128.36	2.98	3.01	08/15/2021	23,293.40	61,052.55
Honda Auto Rec Owner Trust	02/27/2019	16,000,000.00	15,998,969.60	16,087,656.00	3.10	3.12	09/20/2021	44,452.31	88,686.40
Toyota Auto Receivables	02/13/2019	9,000,000.00	8,999,182.80	9,039,388.50	2.83	2.85	10/15/2021	11,320.00	40,205.70
Citibank Credit Card Issuance	02/12/2019	25,000,000.00	24,853,051.34	24,977,360.00	1.75	2.72	11/19/2021	123,958.33	124,308.66
Citibank Credit Card Issuance	03/07/2019	4,738,000.00	4,712,169.05	4,733,709.27	1.75	2.00	11/19/2021	23,492.58	21,540.22
John Deere Owner Trust	03/13/2019	13,250,000.00	13,249,395.80	13,318,350.13	2.85	2.87	12/15/2021	16,783.34	68,954.33
Toyota Auto Receivables	11/30/2018	5,500,000.00	5,408,046.88	5,496,664.25	1.93	2.97	01/18/2022	4,717.78	88,617.37
Ford Credit Auto Owner Trust	06/21/2019	12,150,000.00	12,149,618.49	12,163,940.91	2.35	2.36	02/15/2022	12,690.00	14,322.42
Honda Auto Rec Owner Trust	08/27/2019	22,000,000.00	21,998,460.00	22,006,083.00	1.90	1.91	04/15/2022	4,644.44	7,623.00
Toyota Auto Receivables	08/14/2019	10,000,000.00	9,999,535.00	9,999,604.00	2.00	2.01	04/15/2022	9,444.44	69.00
Harley-Davidson Motorcycle Tru	06/26/2019	7,000,000.00	6,999,912.50	7,009,205.70	2.37	2.38	05/15/2022	7,373.33	9,293.20
John Deere Owner Trust	07/24/2019	11,250,000.00	11,249,957.25	11,288,000.25	2.28	2.29	05/16/2022	21,944.07	38,043.00
Bank of America Corp	02/15/2019	15,000,000.00	14,868,750.00	14,991,895.50	1.95	2.47	08/15/2022	13,000.00	123,145.50
GM Financial Securitized Term	07/24/2019	17,000,000.00	16,999,345.50	17,024,131.50	2.23	2.24	08/16/2022	15,795.74	24,786.00
Honda Auto Rec Owner Trust	05/03/2019	19,923,000.00	20,064,640.08	20,215,513.47	2.95	2.48	08/22/2022	16,325.83	150,873.39
American Express Credit Accoun	04/16/2018	7,478,000.00	7,370,503.75	7,472,493.95	1.93	2.62	09/15/2022	6,414.60	101,990.20
American Express Credit Accoun	07/25/2018	5,765,000.00	5,681,452.54	5,760,755.23	1.93	2.65	09/15/2022	4,945.09	79,302.69
American Express Credit Accoun	08/03/2018	2,100,000.00	2,068,910.15	2,098,453.77	1.93	2.64	09/15/2022	1,801.33	29,543.62
American Express Credit Accoun	01/11/2019	15,000,000.00	14,839,453.13	14,988,955.50	1.93	2.46	09/15/2022	12,866.69	149,502.37
American Express Credit Accoun	01/23/2019	7,325,000.00	7,249,174.82	7,319,606.60	1.93	2.51	09/15/2022	6,283.22	70,431.78
American Express Credit Accoun	04/02/2019	5,925,000.00	5,889,125.98	5,920,637.42	1.93	2.65	09/15/2022	5,082.37	31,511.44
American Express Credit Accoun	03/21/2018	23,000,000.00	22,997,329.70	23,072,330.40	2.67	2.69	10/17/2022	27,293.33	75,000.70
American Express Credit Accoun	04/20/2018	20,000,000.00	19,971,093.75	20,062,896.00	2.67	2.73	10/17/2022	23,733.33	91,802.25
Toyota Auto Receivables	05/03/2019	19,940,000.00	20,138,621.08	20,316,939.78	3.02	2.50	12/15/2022	26,763.87	178,318.70
Toyota Auto Receivables	08/01/2019	24,540,000.00	24,907,141.41	25,003,896.80	3.02	2.05	12/15/2022	32,938.13	96,755.39
Bank of America Corp	12/11/2018	63,738,000.00	62,450,791.17	63,681,649.23	1.84	1.67	01/17/2023	52,123.70	1,230,858.06
Citibank Credit Card Issuance	04/16/2019	28,310,000.00	28,259,224.33	28,589,232.85	2.49	2.55	01/20/2023	80,282.44	330,008.52
Toyota Auto Receivables	11/07/2018	15,000,000.00	14,996,755.50	15,321,955.50	3.18	3.21	03/15/2023	21,199.99	325,200.00
Honda Auto Rec Owner Trust	02/27/2019	9,750,000.00	9,749,738.70	9,957,792.00	3.11	3.13	03/20/2023	24,599.81	208,053.30
American Express Credit Accoun	04/02/2019	11,738,000.00	11,656,842.76	11,760,470.05	2.04	1.23	05/15/2023	10,642.45	103,627.29
Citibank Credit Card Issuance	03/18/2019	7,000,000.00	6,992,677.10	7,114,110.50	2.68	2.71	06/07/2023	43,773.33	121,433.40

INVESTMENT INVENTORY - MARKET VALUE

County of San Diego Pooled Money Fund As of August 31, 2019

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Honda Auto Rec Owner Trust	05/29/2019	28,500,000.00	28,498,936.95	28,929,232.80	2.52	2.54	06/21/2023	19,950.00	430,295.85
Bank of America Corp	03/20/2019	22,790,000.00	22,772,195.31	23,071,900.91	2.70	2.73	07/17/2023	27,348.00	299,705.60
Toyota Auto Receivables	02/13/2019	20,000,000.00	19,996,356.00	20,426,764.00	2.91	2.94	07/17/2023	25,866.66	430,408.00
Honda Auto Rec Owner Trust	08/27/2019	24,000,000.00	23,999,800.80	24,021,348.00	1.78	1.79	08/15/2023	4,746.67	21,547.20
Nissan Auto Receivables Owner	05/28/2019	28,000,000.00	27,993,669.20	28,409,110.80	2.50	2.52	11/15/2023	33,362.56	415,441.60
American Express Credit Accoun	12/17/2018	38,000,000.00	37,881,250.00	38,789,077.60	2.99	3.14	12/15/2023	50,497.62	907,827.60
Discover Card Execution Note T	03/27/2019	30,000,000.00	30,460,546.88	30,757,269.00	3.11	2.43	01/16/2024	41,466.62	296,722.12
American Express Credit Accoun	03/27/2019	40,253,000.00	40,825,347.34	41,254,365.83	3.06	2.42	02/15/2024	54,744.08	429,018.49
Discover Card Execution Note T	07/11/2019	8,750,000.00	8,959,179.69	9,038,237.25	3.32	2.20	03/15/2024	12,911.09	79,057.56
American Express Credit Accoun	06/13/2019	22,120,000.00	22,584,865.63	22,764,185.28	3.18	2.23	04/15/2024	31,262.93	179,319.65
Asset Backed Securities Subtotal:		802,436,035.31	802,312,760.36	809,948,880.36	2.53	2.46		1,075,388.61	7,636,120.00
Bank Deposit									
Wells Fargo Bank NA	07/01/2017	8,578,292.51	8,578,292.51	8,578,292.51	2.00	2.00		8,493.36	0.00
Bank Deposit Subtotal:		8,578,292.51	8,578,292.51	8,578,292.51	2.00	2.00		8,493.36	0.00
Commercial Paper									
JP Morgan	12/11/2018	130,000,000.00	129,978,622.22	129,968,800.00	2.96	3.05	09/03/2019	0.00	(9,822.22)
Natixis US Finance Co.	08/30/2019	215,000,000.00	214,975,036.11	214,948,400.00	2.09	2.09	09/03/2019	0.00	(26,636.11)
BNP Paribas NY	04/22/2019	25,000,000.00	24,994,708.33	24,992,500.00	2.54	2.56	09/04/2019	0.00	(2,208.33)
Natixis US Finance Co.	08/28/2019	20,000,000.00	19,995,288.89	19,993,000.00	2.12	2.12	09/05/2019	0.00	(2,288.89)
Natixis US Finance Co.	08/28/2019	20,000,000.00	19,994,111.11	19,991,800.00	2.12	2.12	09/06/2019	0.00	(2,311.11)
MUFG Bank NY	07/24/2019	25,000,000.00	24,985,750.00	24,984,250.00	2.28	2.29	09/10/2019	0.00	(1,500.00)
Natixis US Finance Co.	08/28/2019	15,000,000.00	14,992,050.00	14,990,250.00	2.12	2.12	09/10/2019	0.00	(1,800.00)
Natixis US Finance Co.	08/28/2019	15,000,000.00	14,991,166.66	14,989,500.00	2.12	2.12	09/11/2019	0.00	(1,666.66)
Natixis US Finance Co.	08/28/2019	15,000,000.00	14,990,283.33	14,988,600.00	2.12	2.12	09/12/2019	0.00	(1,683.33)
Canadian Imperial Holding	12/20/2018	25,000,000.00	24,969,791.67	24,974,500.00	2.90	2.99	09/16/2019	0.00	4,708.33
Natixis US Finance Co.	03/21/2019	50,000,000.00	49,931,388.89	49,938,500.00	2.60	2.69	09/20/2019	0.00	7,111.11
MUFG Bank NY	06/25/2019	30,000,000.00	29,953,800.00	29,954,400.00	2.31	2.32	09/25/2019	0.00	600.00
MUFG Bank NY	07/02/2019	75,000,000.00	74,879,687.50	74,881,500.00	2.31	2.32	09/26/2019	0.00	1,812.50
MUFG Bank NY	07/03/2019	46,000,000.00	45,926,208.33	45,927,320.00	2.31	2.32	09/26/2019	0.00	1,111.67
Natixis US Finance Co.	03/27/2019	80,000,000.00	79,833,733.33	79,854,400.00	2.58	2.67	09/30/2019	0.00	20,666.67
MUFG Bank NY	07/24/2019	25,000,000.00	24,952,708.33	24,953,000.00	2.27	2.28	10/01/2019	0.00	291.67
MUFG Bank NY	08/07/2019	35,000,000.00	34,931,555.55	34,930,350.00	2.20	2.21	10/03/2019	0.00	(1,205.55)
MUFG Bank NY	08/07/2019	25,000,000.00	24,949,583.33	24,948,750.00	2.20	2.21	10/04/2019	0.00	(833.33)
BNP Paribas NY	04/24/2019	25,000,000.00	24,934,736.11	24,942,750.00	2.54	2.57	10/08/2019	0.00	8,013.89
MUFG Bank NY	08/07/2019	25,000,000.00	24,940,145.83	24,939,750.00	2.21	2.22	10/10/2019	0.00	(395.83)
BNP Paribas NY	04/22/2019	25,000,000.00	24,922,388.89	24,932,750.00	2.54	2.57	10/15/2019	0.00	10,361.11
BNP Paribas NY	05/06/2019	50,000,000.00	49,790,833.33	49,818,500.00	2.51	2.54	10/31/2019	0.00	27,666.67
MUFG Bank NY	07/26/2019	25,000,000.00	24,905,416.67	24,908,750.00	2.27	2.28	10/31/2019	0.00	3,333.33
MUFG Bank NY	07/29/2019	75,000,000.00	74,716,250.00	74,726,250.00	2.27	2.28	10/31/2019	0.00	10,000.00
MUFG Bank NY	08/02/2019	25,000,000.00	24,908,333.33	24,908,750.00	2.20	2.21	10/31/2019	0.00	416.67

INVESTMENT INVENTORY - MARKET VALUE

County of San Diego Pooled Money Fund As of August 31, 2019

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM	Maturity Date	Accrued Interest	Unrealized Gain/Loss
BNP Paribas NY	05/06/2019	50,000,000.00	49,787,347.22	49,815,500.00	2.51	2.54	11/01/2019	0.00	28,152.78
MUFG Bank NY	07/29/2019	50,000,000.00	49,807,680.55	49,815,000.00	2.27	2.28	11/01/2019	0.00	7,319.45
MUFG Bank NY	08/02/2019	25,000,000.00	24,906,805.55	24,907,500.00	2.20	2.21	11/01/2019	0.00	694.45
MUFG Bank NY	08/07/2019	25,000,000.00	24,900,694.44	24,901,500.00	2.20	2.21	11/05/2019	0.00	805.56
MUFG Bank NY	08/07/2019	25,000,000.00	24,896,111.11	24,897,250.00	2.20	2.21	11/08/2019	0.00	1,138.89
Canadian Imperial Holding	04/24/2019	25,000,000.00	24,839,638.89	24,861,250.00	2.51	2.59	12/02/2019	0.00	21,611.11
Commercial Paper Subtotal:		1,321,000,000.00	1,318,481,855.50	1,318,585,320.00	2.38	2.41		0.00	103,464.50
Medium-Term Notes									
US Bank NA Cincinnati	11/16/2018	25,000,000.00	24,962,500.00	24,996,250.00	2.13	3.09	10/28/2019	181,510.42	33,750.00
JP Morgan	03/06/2019	6,850,000.00	6,834,933.89	6,852,329.00	2.25	2.82	01/23/2020	16,268.75	17,395.11
JP Morgan	03/06/2019	7,320,000.00	7,303,900.16	7,322,488.80	2.25	2.82	01/23/2020	17,385.00	18,588.64
JP Morgan	03/13/2019	10,000,000.00	9,979,066.45	10,003,400.00	2.25	2.75	01/23/2020	23,750.00	24,333.55
JP Morgan	04/09/2019	8,569,000.00	8,572,286.23	8,609,188.61	2.75	2.70	06/23/2020	44,511.19	36,902.38
JP Morgan	07/25/2019	14,485,000.00	14,533,872.74	14,552,934.65	2.75	2.29	06/23/2020	39,833.75	19,061.91
JP Morgan	06/27/2019	24,306,000.00	24,773,728.25	24,814,724.58	4.40	2.20	07/22/2020	115,858.60	40,996.33
JP Morgan	07/25/2019	7,779,000.00	7,924,976.53	7,941,814.47	4.40	2.26	07/22/2020	34,227.60	16,837.94
JP Morgan	08/01/2019	54,451,000.00	55,492,256.70	55,590,659.43	4.40	2.22	07/22/2020	199,653.67	98,402.73
American Honda Finance	03/04/2019	8,710,000.00	8,743,985.27	8,840,127.40	3.15	2.85	01/08/2021	40,392.63	96,142.13
Toyota Motor Credit Corp	01/08/2019	20,000,000.00	19,991,883.33	20,320,400.00	3.05	3.08	01/08/2021	89,805.56	328,516.67
US Bank NA Cincinnati	04/01/2019	12,000,000.00	12,072,144.98	12,162,960.00	3.00	2.54	02/04/2021	27,000.00	90,815.02
Apple Inc	05/06/2019	10,000,000.00	9,956,091.50	10,055,800.00	2.25	2.55	02/23/2021	5,000.00	99,708.50
Apple Inc	05/03/2019	8,137,000.00	8,185,003.24	8,275,166.26	2.85	2.49	05/06/2021	74,080.60	90,163.02
American Honda Finance	04/05/2019	14,338,000.00	14,076,224.80	14,269,751.12	1.65	2.67	07/12/2021	32,200.76	193,526.32
JP Morgan	03/07/2019	14,780,000.00	14,574,741.82	14,817,393.40	2.30	3.77	08/15/2021	15,075.60	242,651.58
JP Morgan	04/05/2019	8,816,000.00	8,736,995.36	8,838,304.48	2.30	3.47	08/15/2021	8,992.32	101,309.12
Procter & Gamble	07/02/2019	5,000,000.00	4,970,802.85	4,989,250.00	1.70	1.98	11/03/2021	13,930.55	18,447.15
US BANKCORP	04/04/2019	25,000,000.00	24,997,863.86	25,414,250.00	2.63	2.63	01/24/2022	67,447.92	416,386.14
US BANKCORP	04/05/2019	5,000,000.00	4,998,845.34	5,082,850.00	2.63	2.63	01/24/2022	13,489.58	84,004.66
Microsoft Corp	04/05/2019	50,000,000.00	49,890,903.53	50,859,000.00	2.40	2.49	02/06/2022	83,333.33	968,096.47
Procter & Gamble	07/02/2019	16,857,000.00	16,991,707.10	17,097,380.82	2.30	1.96	02/06/2022	26,924.38	105,673.72
Apple Inc	04/12/2019	25,000,000.00	24,968,057.03	25,423,500.00	2.50	2.55	02/09/2022	38,194.44	455,442.97
Apple Inc	04/22/2019	20,000,000.00	19,780,979.54	20,173,600.00	2.15	2.62	02/09/2022	26,277.78	392,620.46
Apple Inc	04/25/2019	8,355,000.00	8,345,939.98	8,496,533.70	2.50	2.55	02/09/2022	12,764.58	150,593.72
Apple Inc	04/29/2019	4,950,000.00	4,944,697.76	5,033,853.00	2.50	2.55	02/09/2022	7,562.50	89,155.24
Apple Inc	06/07/2019	15,100,000.00	15,210,665.42	15,355,794.00	2.50	2.18	02/09/2022	23,069.44	145,128.58
Apple Inc	06/13/2019	13,876,000.00	13,955,011.92	14,111,059.44	2.50	2.25	02/09/2022	21,199.44	156,047.52
Toyota Motor Credit Corp	03/18/2019	50,000,000.00	50,000,000.00	50,571,000.00	2.85	2.85	02/18/2022	645,208.33	571,000.00
Toyota Motor Credit Corp	04/12/2019	25,000,000.00	24,986,277.08	25,488,500.00	2.65	2.67	04/12/2022	255,798.61	502,222.92
Toyota Motor Credit Corp	04/29/2019	50,000,000.00	50,000,000.00	49,629,500.00	2.70	2.70	04/29/2022	457,500.00	(370,500.00)
JP Morgan	04/30/2019	50,000,000.00	50,000,000.00	50,523,500.00	2.75	2.75	04/30/2022	462,152.78	523,500.00
US Bank NA OH	05/23/2019	35,000,000.00	34,966,266.48	35,675,500.00	2.65	2.69	05/23/2022	252,486.11	709,233.52

INVESTMENT INVENTORY - MARKET VALUE

County of San Diego Pooled Money Fund As of August 31, 2019

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Toyota Motor Credit Corp	02/27/2019	25,000,000.00	24,924,891.45	25,703,750.00	2.80	2.52	07/13/2022	93,333.33	778,858.55
Procter & Gamble	07/16/2019	20,000,000.00	20,032,231.67	20,240,000.00	2.15	2.09	08/11/2022	23,888.89	207,768.33
Procter & Gamble	08/21/2019	10,000,000.00	10,122,048.60	10,120,000.00	2.15	1.72	08/11/2022	5,972.22	(2,048.60)
Procter & Gamble	08/21/2019	20,000,000.00	20,244,097.20	20,240,000.00	2.15	1.72	08/11/2022	11,944.45	(4,097.20)
Exxon Mobil	08/16/2019	5,000,000.00	5,000,000.00	5,031,800.00	1.90	1.90	08/16/2022	3,962.50	31,800.00
Bank of America Corp	08/26/2019	10,000,000.00	10,000,000.00	9,953,100.00	2.20	2.20	08/26/2022	3,055.56	(46,900.00)
Bank of America Corp	08/26/2019	25,000,000.00	25,000,000.00	24,882,750.00	2.20	2.20	08/26/2022	7,638.89	(117,250.00)
Apple Inc	07/12/2019	10,475,000.00	10,475,000.00	10,568,122.75	2.10	2.10	09/12/2022	29,941.04	93,122.75
Medium-Term Notes Subtotal:		780,154,000.00	781,520,878.06	788,928,285.91	2.72	2.54		3,552,623.10	7,407,407.85
Federal Agency									
Federal Farm Credit Bank	12/06/2016	25,000,000.00	25,000,000.00	24,999,000.00	1.48	1.63	09/06/2019	179,861.11	(1,000.00)
Federal National Mtg Assn	09/30/2016	35,000,000.00	34,999,834.75	34,994,400.00	1.13	1.15	09/09/2019	188,125.00	(5,434.75)
Federal National Mtg Assn	09/13/2016	50,000,000.00	50,000,000.00	49,987,500.00	1.15	1.15	09/13/2019	268,333.33	(12,500.00)
Federal Home Loan Mtg Corp	03/30/2016	25,000,000.00	25,000,000.00	24,987,000.00	1.40	1.40	09/30/2019	146,805.56	(13,000.00)
Federal Home Loan Mtg Corp	11/21/2014	25,000,000.00	24,989,004.77	24,983,000.00	1.25	1.79	10/02/2019	129,340.28	(6,004.77)
Federal National Mtg Assn	10/04/2016	25,000,000.00	25,000,000.00	24,982,000.00	1.20	1.20	10/04/2019	122,500.00	(18,000.00)
Federal National Mtg Assn	10/28/2016	25,000,000.00	25,000,000.00	24,970,750.00	1.30	1.30	10/28/2019	111,041.67	(29,250.00)
Federal Home Loan Bank	05/03/2017	15,000,000.00	14,997,827.47	14,980,350.00	1.38	1.45	11/15/2019	60,729.17	(17,477.47)
Federal Home Loan Bank	01/09/2015	20,000,000.00	20,041,784.35	20,021,800.00	2.38	1.61	12/13/2019	102,916.67	(19,984.35)
Federal Home Loan Bank	05/03/2017	20,000,000.00	20,050,088.51	20,021,800.00	2.38	1.47	12/13/2019	102,916.67	(28,288.51)
Federal Farm Credit Bank	12/27/2016	25,000,000.00	25,000,000.00	24,988,000.00	1.70	1.70	12/27/2019	75,555.56	(12,000.00)
Federal National Mtg Assn	03/30/2016	25,000,000.00	25,000,000.00	24,952,000.00	1.38	1.38	12/30/2019	58,246.53	(48,000.00)
Federal Home Loan Mtg Corp	07/28/2016	50,000,000.00	50,000,000.00	49,832,000.00	1.10	1.10	01/28/2020	50,416.67	(168,000.00)
Federal Farm Credit Bank	02/27/2017	21,870,000.00	21,870,000.00	21,809,638.80	1.71	1.71	02/27/2020	4,155.30	(60,361.20)
Federal Home Loan Mtg Corp	04/13/2017	25,000,000.00	25,000,000.00	24,981,000.00	1.80	1.80	04/13/2020	172,500.00	(19,000.00)
Federal Home Loan Mtg Corp	04/13/2017	25,000,000.00	25,000,000.00	24,981,000.00	1.80	1.80	04/13/2020	172,500.00	(19,000.00)
Federal Home Loan Mtg Corp	05/19/2015	25,000,000.00	24,965,185.19	24,918,750.00	1.38	1.59	05/01/2020	114,583.33	(46,435.19)
Federal Farm Credit Bank	11/01/2017	47,000,000.00	47,000,000.00	46,989,190.00	1.83	1.83	06/01/2020	215,025.00	(10,810.00)
Federal Farm Credit Bank	06/29/2016	25,000,000.00	25,000,000.00	24,861,250.00	1.42	1.42	06/29/2020	61,138.89	(138,750.00)
Federal Home Loan Mtg Corp	07/05/2017	25,000,000.00	25,000,000.00	24,963,250.00	1.75	1.75	06/29/2020	75,347.22	(36,750.00)
Federal Home Loan Mtg Corp	07/13/2017	20,000,000.00	20,000,000.00	19,989,800.00	1.85	1.85	07/13/2020	49,333.33	(10,200.00)
Federal Home Loan Mtg Corp	07/13/2017	5,000,000.00	5,000,000.00	4,997,450.00	1.85	1.85	07/13/2020	12,333.33	(2,550.00)
Federal Farm Credit Bank	07/25/2018	20,000,000.00	19,789,843.68	20,000,000.00	1.77	2.78	09/28/2020	150,450.00	210,156.32
Federal Home Loan Mtg Corp	09/29/2017	25,000,000.00	24,993,712.96	25,000,250.00	1.80	1.82	09/29/2020	190,000.00	6,537.04
Federal National Mtg Assn	11/03/2017	25,000,000.00	25,000,000.00	25,015,750.00	1.85	1.85	10/30/2020	155,451.39	15,750.00
Federal Home Loan Mtg Corp	11/03/2017	10,000,000.00	10,000,000.00	9,999,400.00	1.96	1.96	11/03/2020	64,244.44	(600.00)
Federal Home Loan Mtg Corp	11/03/2017	15,000,000.00	15,000,000.00	14,999,100.00	1.96	1.96	11/03/2020	96,366.67	(900.00)
Federal Farm Credit Bank	11/09/2016	25,000,000.00	25,000,000.00	24,922,250.00	1.36	1.36	11/09/2020	105,777.78	(77,750.00)
Federal National Mtg Assn	11/29/2017	25,000,000.00	24,993,943.40	25,008,250.00	1.95	1.97	11/09/2020	151,666.67	14,306.60
Federal Home Loan Bank	11/30/2017	35,000,000.00	35,000,000.00	35,025,200.00	2.00	2.00	11/25/2020	186,666.67	25,200.00
Federal Home Loan Mtg Corp	11/27/2017	15,000,000.00	15,000,000.00	15,042,900.00	1.88	1.88	11/27/2020	73,437.50	42,900.00

INVESTMENT INVENTORY - MARKET VALUE

County of San Diego Pooled Money Fund As of August 31, 2019

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Federal Home Loan Mtg Corp	11/27/2017	25,000,000.00	25,000,000.00	25,071,500.00	1.88	1.88	11/27/2020	122,395.83	71,500.00
Federal Home Loan Bank	11/27/2018	25,000,000.00	25,000,000.00	25,059,250.00	3.00	3.00	11/27/2020	195,833.33	59,250.00
Federal Home Loan Mtg Corp	12/18/2017	15,000,000.00	15,000,000.00	15,071,250.00	2.00	2.00	12/18/2020	60,833.33	71,250.00
Federal Home Loan Mtg Corp	04/20/2018	6,045,000.00	6,001,415.91	6,049,291.95	2.15	2.69	01/26/2021	12,635.73	47,876.04
Federal National Mtg Assn	04/20/2018	4,910,000.00	4,874,599.20	4,913,437.00	2.15	2.69	01/26/2021	10,263.26	38,837.80
Federal Home Loan Bank	09/21/2016	25,000,000.00	25,040,072.92	24,934,500.00	1.38	1.26	02/18/2021	12,413.19	(105,572.92)
Federal Home Loan Bank	02/14/2017	25,000,000.00	24,856,845.05	24,934,500.00	1.38	1.78	02/18/2021	12,413.19	77,654.95
Federal Home Loan Bank	02/17/2017	25,000,000.00	25,000,000.00	25,096,250.00	1.82	1.82	03/17/2021	207,277.78	96,250.00
Federal Home Loan Bank	10/30/2017	25,000,000.00	25,000,000.00	25,009,500.00	2.00	2.00	04/30/2021	168,055.56	9,500.00
Federal National Mtg Assn	06/17/2016	15,000,000.00	15,003,250.28	14,927,250.00	1.25	1.24	05/06/2021	59,895.83	(76,000.28)
Federal National Mtg Assn	09/21/2016	25,000,000.00	24,974,746.25	24,878,750.00	1.25	1.31	05/06/2021	99,826.39	(95,996.25)
Federal Home Loan Mtg Corp	06/28/2017	7,900,000.00	7,900,000.00	7,906,241.00	2.00	2.00	05/28/2021	40,816.67	6,241.00
Federal Home Loan Bank	07/14/2016	15,000,000.00	15,171,643.54	15,077,550.00	1.88	1.21	06/11/2021	62,500.00	(94,093.54)
Federal Home Loan Bank	08/04/2016	35,000,000.00	34,944,156.12	34,739,250.00	1.13	1.21	07/14/2021	51,406.25	(204,906.12)
Federal Home Loan Mtg Corp	07/20/2016	25,000,000.00	25,000,000.00	24,963,250.00	1.50	1.35	07/20/2021	42,708.33	(36,750.00)
Federal National Mtg Assn	07/20/2016	14,500,000.00	14,500,000.00	14,480,715.00	1.50	1.61	07/20/2021	24,770.83	(19,285.00)
Federal Home Loan Mtg Corp	07/27/2016	25,000,000.00	25,000,000.00	24,959,500.00	1.75	1.61	07/27/2021	41,319.44	(40,500.00)
Federal National Mtg Assn	07/27/2016	14,445,000.00	14,445,000.00	14,408,309.70	1.50	1.48	07/27/2021	20,463.75	(36,690.30)
Federal Home Loan Mtg Corp	10/05/2016	20,000,000.00	19,906,506.58	19,855,400.00	1.13	1.37	08/12/2021	11,875.00	(51,106.58)
Federal National Mtg Assn	09/21/2016	35,000,000.00	34,929,200.11	34,795,250.00	1.25	1.36	08/17/2021	17,013.89	(133,950.11)
Federal Home Loan Mtg Corp	09/07/2016	25,000,000.00	25,000,000.00	25,000,000.00	1.63	1.85	09/07/2021	196,354.17	0.00
Federal Home Loan Bank	09/27/2017	25,000,000.00	25,000,000.00	25,002,250.00	2.00	2.00	09/27/2021	213,888.89	2,250.00
Federal Home Loan Mtg Corp	09/30/2016	20,000,000.00	20,000,000.00	19,997,800.00	1.50	1.80	09/30/2021	125,833.33	(2,200.00)
Federal Home Loan Mtg Corp	09/30/2016	12,000,000.00	12,000,000.00	11,998,080.00	1.50	1.68	09/30/2021	75,500.00	(1,920.00)
Federal Farm Credit Bank	10/05/2017	20,000,000.00	20,000,000.00	20,000,000.00	2.00	2.00	10/05/2021	162,222.22	0.00
Federal National Mtg Assn	11/08/2016	35,000,000.00	34,951,088.64	34,871,900.00	1.38	1.44	10/07/2021	192,500.00	(79,188.64)
Federal Home Loan Mtg Corp	10/07/2016	25,000,000.00	25,000,000.00	25,008,250.00	2.00	1.98	10/07/2021	200,000.00	8,250.00
Federal Home Loan Mtg Corp	10/28/2016	50,000,000.00	50,000,000.00	49,985,500.00	1.50	1.98	10/28/2021	256,250.00	(14,500.00)
Federal Farm Credit Bank	12/10/2018	10,000,000.00	10,000,000.00	10,033,900.00	3.11	3.11	12/10/2021	69,975.00	33,900.00
Federal Farm Credit Bank	12/10/2018	10,000,000.00	10,000,000.00	10,033,900.00	3.11	3.11	12/10/2021	69,975.00	33,900.00
Federal Home Loan Bank	03/27/2017	25,000,000.00	25,136,448.99	25,462,500.00	2.25	2.02	03/11/2022	265,625.00	326,051.01
Federal Home Loan Bank	04/05/2019	18,290,000.00	18,359,034.36	18,745,603.90	2.50	2.34	03/11/2022	185,440.28	386,569.54
Federal National Mtg Assn	04/12/2019	50,000,000.00	49,857,107.41	51,011,000.00	2.25	2.36	04/12/2022	434,375.00	1,153,892.59
Federal National Mtg Assn	09/26/2017	14,475,000.00	14,474,161.84	14,483,250.75	2.25	2.25	04/27/2022	112,181.25	9,088.91
Federal Farm Credit Bank	07/25/2017	20,000,000.00	20,019,651.97	20,000,000.00	2.07	2.03	05/09/2022	128,800.00	(19,651.97)
Federal Farm Credit Bank	03/19/2019	23,650,000.00	23,639,830.70	23,651,655.50	2.70	2.72	06/06/2022	150,768.75	11,824.80
Federal Home Loan Bank	04/08/2019	10,000,000.00	10,008,660.33	10,235,600.00	2.38	2.34	06/10/2022	53,437.50	226,939.67
Federal Home Loan Mtg Corp	06/17/2019	25,000,000.00	25,000,000.00	25,003,750.00	2.50	2.50	06/17/2022	128,472.22	3,750.00
Federal Home Loan Mtg Corp	06/29/2017	15,000,000.00	14,997,879.17	15,005,850.00	2.13	2.13	06/29/2022	54,895.83	7,970.83
Federal Home Loan Mtg Corp	07/12/2017	40,000,000.00	39,961,051.11	40,021,600.00	2.00	2.28	07/12/2022	108,888.89	60,548.89
Federal Home Loan Mtg Corp	07/27/2017	6,132,000.00	6,132,000.00	6,135,433.92	2.05	2.22	07/27/2022	11,872.23	3,433.92
Federal Farm Credit Bank	08/22/2017	18,250,000.00	18,248,919.92	18,250,182.50	2.05	2.05	08/08/2022	23,902.43	1,262.58

INVESTMENT INVENTORY - MARKET VALUE

County of San Diego Pooled Money Fund As of August 31, 2019

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Federal Home Loan Bank	08/10/2017	25,000,000.00	25,000,000.00	25,017,500.00	2.00	2.29	08/10/2022	29,166.67	17,500.00
Federal Farm Credit Bank	08/29/2017	30,000,000.00	29,996,414.72	30,000,600.00	2.05	2.05	08/23/2022	13,666.67	4,185.28
Federal Farm Credit Bank	09/12/2017	25,000,000.00	25,000,000.00	25,000,250.00	2.00	2.00	09/12/2022	234,722.22	250.00
Federal Home Loan Bank	04/03/2019	25,000,000.00	24,756,159.22	25,004,250.00	2.15	2.48	09/26/2022	220,972.22	248,090.78
Federal Farm Credit Bank	10/11/2017	24,000,000.00	24,000,000.00	24,000,240.00	2.16	2.16	10/11/2022	201,600.00	240.00
Federal Farm Credit Bank	10/17/2017	25,000,000.00	25,000,000.00	25,000,250.00	2.28	2.28	10/17/2022	212,166.67	250.00
Federal Home Loan Bank	11/29/2017	25,000,000.00	24,960,657.19	25,013,000.00	2.28	2.33	10/26/2022	197,916.67	52,342.81
Federal Home Loan Mtg Corp	10/30/2017	25,000,000.00	25,000,000.00	25,021,000.00	2.28	2.28	10/26/2022	197,916.67	21,000.00
Federal Home Loan Mtg Corp	12/28/2017	10,000,000.00	10,000,000.00	9,999,700.00	2.45	2.45	12/28/2022	42,875.00	(300.00)
Federal Farm Credit Bank	07/01/2019	50,000,000.00	49,997,139.53	50,638,000.00	1.85	1.85	02/01/2023	77,083.33	640,860.47
Federal Farm Credit Bank	07/03/2019	20,000,000.00	20,017,953.42	20,255,200.00	1.85	1.82	02/01/2023	30,833.33	237,246.58
Federal Home Loan Bank	04/04/2019	29,195,000.00	29,604,469.15	30,446,881.60	2.75	2.33	03/10/2023	327,835.52	842,412.45
Federal Home Loan Bank	04/04/2019	10,000,000.00	10,140,253.18	10,428,800.00	2.75	2.33	03/10/2023	112,291.67	288,546.82
Federal Farm Credit Bank	04/17/2019	25,000,000.00	25,000,000.00	25,145,250.00	2.67	2.67	04/17/2023	248,458.33	145,250.00
Federal Farm Credit Bank	05/08/2019	30,000,000.00	29,951,619.79	30,030,600.00	2.66	2.71	05/08/2023	250,483.33	78,980.21
Federal Home Loan Bank	06/28/2019	48,500,000.00	49,025,142.71	49,644,600.00	2.13	1.83	06/09/2023	180,359.37	619,457.29
Federal Farm Credit Bank	07/03/2019	11,008,000.00	11,288,764.07	11,429,166.08	2.52	1.82	06/15/2023	44,692.48	140,402.01
Federal Farm Credit Bank	06/26/2019	32,250,000.00	32,194,262.37	32,624,745.00	1.77	1.82	06/26/2023	103,065.63	430,482.63
Federal Farm Credit Bank	07/03/2019	3,425,000.00	3,417,244.16	3,464,798.50	1.77	1.83	06/26/2023	9,766.96	47,554.34
Federal Home Loan Mtg Corp	04/26/2019	25,000,000.00	25,000,000.00	25,349,000.00	2.49	2.49	07/26/2023	216,145.83	349,000.00
Federal Home Loan Mtg Corp	08/07/2019	25,000,000.00	25,000,000.00	25,098,250.00	2.19	2.19	08/07/2023	36,500.00	98,250.00
Federal Home Loan Mtg Corp	08/07/2019	25,000,000.00	25,000,000.00	25,040,000.00	2.30	2.30	08/07/2023	38,333.33	40,000.00
Federal National Mtg Assn	04/18/2019	10,000,000.00	10,164,428.35	10,553,300.00	2.88	2.44	09/12/2023	106,215.28	388,871.65
Federal National Mtg Assn	06/27/2019	25,000,000.00	26,008,277.39	26,383,250.00	2.88	1.83	09/12/2023	127,777.77	374,972.61
Federal Home Loan Mtg Corp	03/27/2019	5,070,000.00	5,069,311.79	5,098,239.90	2.75	2.75	09/27/2023	59,642.92	28,928.11
Federal Farm Credit Bank	07/03/2019	50,000,000.00	50,006,258.02	50,846,000.00	1.88	1.88	11/01/2023	151,444.44	839,741.98
Federal Home Loan Mtg Corp	03/29/2019	25,000,000.00	25,000,000.00	25,267,500.00	2.73	2.73	01/09/2024	269,208.33	267,500.00
Federal Home Loan Bank	01/29/2019	8,745,000.00	8,745,000.00	8,783,303.10	3.10	3.10	01/29/2024	24,097.33	38,303.10
Federal National Mtg Assn	02/07/2019	25,000,000.00	25,000,000.00	25,121,500.00	3.10	3.10	02/07/2024	51,666.67	121,500.00
Federal Home Loan Bank	02/15/2019	15,000,000.00	14,952,688.43	15,686,850.00	2.50	2.58	02/13/2024	18,750.00	734,161.57
Federal Home Loan Bank	02/22/2019	23,175,000.00	23,175,000.00	23,517,758.25	2.80	2.80	02/22/2024	16,222.50	342,758.25
Federal Farm Credit Bank	07/08/2019	50,000,000.00	50,609,461.86	51,632,500.00	2.23	1.94	02/23/2024	24,777.78	1,023,038.14
Federal Home Loan Mtg Corp	02/28/2019	20,000,000.00	20,000,000.00	20,094,000.00	2.88	2.88	02/28/2024	4,791.67	94,000.00
Federal Home Loan Mtg Corp	03/21/2019	15,200,000.00	15,232,238.46	15,211,096.00	3.20	2.73	03/20/2024	216,177.78	(21,142.46)
Federal Home Loan Mtg Corp	03/22/2019	20,000,000.00	20,000,000.00	20,293,000.00	2.75	2.75	03/22/2024	242,916.67	293,000.00
Federal Home Loan Bank	03/27/2019	6,400,000.00	6,400,000.00	6,404,352.00	2.87	2.87	03/27/2024	78,574.22	4,352.00
Federal Home Loan Mtg Corp	03/27/2019	2,915,000.00	2,915,000.00	2,930,507.80	2.70	2.70	03/27/2024	33,668.25	15,507.80
Federal Home Loan Bank	04/24/2019	8,225,000.00	8,225,000.00	8,273,856.50	2.75	2.75	04/24/2024	79,793.92	48,856.50
Federal Home Loan Mtg Corp	04/30/2019	25,000,000.00	24,983,676.39	25,133,500.00	2.70	2.72	04/30/2024	226,875.00	149,823.61
Federal Home Loan Mtg Corp	06/05/2019	30,000,000.00	30,000,000.00	30,152,700.00	2.65	2.65	06/05/2024	189,916.67	152,700.00
Federal Home Loan Mtg Corp	06/05/2019	25,000,000.00	25,000,000.00	25,001,000.00	2.80	2.80	06/05/2024	167,222.22	1,000.00
Federal Farm Credit Bank	06/13/2019	15,000,000.00	14,948,627.00	15,308,400.00	1.95	2.03	06/13/2024	63,375.00	359,773.00

INVESTMENT INVENTORY - MARKET VALUE

County of San Diego Pooled Money Fund As of August 31, 2019

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Federal Farm Credit Bank	06/26/2019	105,350,000.00	105,712,926.92	107,515,996.00	1.95	1.87	06/13/2024	370,919.79	1,803,069.08
Federal Home Loan Mtg Corp	06/24/2019	60,000,000.00	60,000,000.00	60,014,400.00	2.60	2.60	06/24/2024	290,333.33	14,400.00
Federal Home Loan Mtg Corp	07/17/2019	8,821,000.00	8,819,278.95	8,836,613.17	2.40	2.40	07/16/2024	25,874.93	17,334.22
Federal Farm Credit Bank	07/23/2019	54,000,000.00	54,000,000.00	54,395,820.00	2.04	2.04	07/19/2024	116,280.00	395,820.00
Federal Farm Credit Bank	07/23/2019	25,000,000.00	25,000,000.00	25,013,750.00	2.45	2.45	07/23/2024	64,652.78	13,750.00
Federal Agency Subtotal:		2,890,746,000.00	2,893,341,748.55	2,906,394,253.92	1.99	1.98		14,191,668.46	13,052,505.37
Money Market Accounts									
BlackRock FedFund	07/06/2018	1,000,000.00	1,000,000.00	1,000,000.00	2.02	2.02		3,710.93	0.00
BlackRock FedFund	02/07/2019	35,000,000.00	35,000,000.00	35,000,000.00	2.02	2.02		60,649.05	0.00
Fidelity Government Fund	07/01/2017	65,400,000.00	65,400,000.00	65,400,000.00	2.04	2.04		181,588.68	0.00
Federated Government Fund	07/01/2017	0.00	0.00	0.00	2.03	2.03		(19,737.94)	0.00
Morgan Stanley Govnt Fund	07/01/2017	1,000,000.00	1,000,000.00	1,000,000.00	1.99	1.99		467.37	0.00
Money Market Accounts Subtotal:		102,400,000.00	102,400,000.00	102,400,000.00	2.03	2.03		226,678.09	0.00
Negotiable CDs									
Toronto Dominion NY	08/05/2019	50,000,000.00	50,000,000.00	50,001,000.00	2.20	2.20	09/10/2019	82,500.00	1,000.00
Toronto Dominion NY	09/27/2018	25,000,000.00	25,000,000.00	25,012,750.00	2.85	2.85	09/27/2019	670,937.50	12,750.00
Bank of Nova Scotia	09/26/2018	50,000,000.00	50,000,000.00	50,027,500.00	2.86	2.86	09/30/2019	1,350,555.56	27,500.00
Toronto Dominion NY	12/14/2018	30,000,000.00	30,000,000.00	30,021,600.00	3.02	3.02	09/30/2019	656,850.00	21,600.00
Westpac Bank NY	12/14/2018	30,000,000.00	30,000,000.00	30,018,300.00	2.97	2.97	09/30/2019	645,975.00	18,300.00
JP Morgan	03/27/2019	100,000,000.00	100,000,000.00	100,000,000.00	2.22	2.47	09/30/2019	12,494.37	0.00
Bank of Montreal	08/05/2019	25,000,000.00	25,000,000.00	25,002,250.00	2.20	2.20	10/07/2019	41,250.00	2,250.00
Nordea Bank Finland	04/04/2019	21,000,000.00	21,000,000.00	21,010,500.00	2.56	2.56	10/08/2019	224,000.00	10,500.00
Canadian Imp Bk Comm NY	10/19/2018	10,000,000.00	10,000,000.00	10,012,900.00	3.03	3.03	10/18/2019	266,808.34	12,900.00
Royal Bk of Canada/Dain Rausch	04/10/2019	25,000,000.00	25,000,000.00	25,017,250.00	2.55	2.55	10/31/2019	255,000.00	17,250.00
Royal Bk of Canada/Dain Rausch	04/10/2019	25,000,000.00	25,000,000.00	25,020,500.00	2.56	2.56	11/08/2019	256,000.00	20,500.00
Toronto Dominion NY	04/24/2019	35,000,000.00	35,000,000.00	35,044,100.00	2.58	2.58	11/29/2019	326,083.33	44,100.00
Canadian Imp Bk Comm NY	12/20/2018	50,000,000.00	50,000,000.00	50,142,500.00	3.03	3.03	12/11/2019	1,073,125.00	142,500.00
Toronto Dominion NY	12/12/2018	50,000,000.00	50,000,680.22	50,139,000.00	3.08	3.07	12/11/2019	1,123,229.16	138,319.78
Westpac Bank NY	12/17/2018	60,000,000.00	60,000,000.00	60,141,000.00	3.02	3.02	12/11/2019	1,298,600.00	141,000.00
Bank of Montreal	12/06/2018	100,000,000.00	100,000,000.00	100,281,000.00	3.06	3.06	12/13/2019	2,286,500.00	281,000.00
Royal Bk of Canada/Dain Rausch	12/11/2018	50,000,000.00	50,000,000.00	50,185,500.00	3.05	3.05	01/09/2020	1,118,333.33	185,500.00
Toronto Dominion NY	01/07/2019	30,000,000.00	30,000,000.00	30,096,900.00	2.91	2.91	01/15/2020	574,725.00	96,900.00
Toronto Dominion NY	07/29/2019	70,000,000.00	70,000,000.00	70,046,200.00	2.18	2.18	01/24/2020	144,122.22	46,200.00
UBS AG Stamford	02/15/2019	20,000,000.00	20,000,000.00	20,065,400.00	2.75	2.75	02/18/2020	302,500.00	65,400.00
Bank of Montreal	03/15/2019	40,000,000.00	40,000,000.00	40,148,800.00	2.67	2.67	02/21/2020	504,333.33	148,800.00
Royal Bk of Canada/Dain Rausch	08/29/2018	50,000,000.00	50,000,000.00	50,265,500.00	2.92	2.92	02/28/2020	12,166.61	265,500.00
Royal Bk of Canada/Dain Rausch	07/23/2019	50,000,000.00	50,000,000.00	50,047,500.00	2.14	2.14	03/09/2020	118,888.89	47,500.00
Bank of Montreal	03/13/2019	1,000,000.00	1,000,000.00	1,004,360.00	2.69	2.69	03/13/2020	12,852.22	4,360.00
Bank of Montreal	03/19/2019	25,000,000.00	25,000,000.00	25,114,750.00	2.70	2.70	03/20/2020	311,250.00	114,750.00
Bank of Nova Scotia	04/05/2019	50,000,000.00	50,000,000.00	50,207,500.00	2.63	2.63	05/06/2020	544,263.89	207,500.00

INVESTMENT INVENTORY - MARKET VALUE

County of San Diego Pooled Money Fund As of August 31, 2019

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM	Maturity Date	Accrued Interest	Unrealized Gain/Loss
UBS AG Stamford	05/24/2019	25,000,000.00	25,000,000.00	25,101,250.00	2.55	2.55	05/29/2020	177,083.33	101,250.00
UBS AG Stamford	06/04/2019	25,000,000.00	25,000,000.00	25,083,250.00	2.44	2.44	06/03/2020	150,805.56	83,250.00
Toronto Dominion NY	07/23/2019	50,000,000.00	50,000,000.00	50,086,000.00	2.12	2.12	06/30/2020	117,777.78	86,000.00
Royal Bk of Canada/Dain Rausch	07/08/2019	25,000,000.00	25,000,000.00	25,045,750.00	2.11	2.11	07/01/2020	80,590.28	45,750.00
Bank of Montreal	09/06/2018	15,000,000.00	15,000,000.00	15,173,550.00	3.13	3.16	09/08/2020	469,500.00	173,550.00
Negotiable CDs Subtotal:		1,212,000,000.00	1,212,000,680.22	1,214,564,360.00	2.65	2.67		15,209,100.70	2,563,679.78
Supranationals									
Intl Bank For Recon and Dev	09/30/2016	25,000,000.00	25,000,000.00	24,984,750.00	1.20	1.20	09/30/2019	125,833.33	(15,250.00)
Intl Bank For Recon and Dev	09/30/2016	25,000,000.00	25,000,000.00	24,984,750.00	1.20	1.20	09/30/2019	125,833.33	(15,250.00)
Intl Bank For Recon and Dev	11/10/2016	25,000,000.00	25,000,000.00	24,973,250.00	1.30	1.30	10/25/2019	113,750.00	(26,750.00)
Intl Bank For Recon and Dev	05/12/2017	35,000,000.00	34,980,522.08	34,962,550.00	1.30	1.68	10/25/2019	159,250.00	(17,972.08)
Intl Bank For Recon and Dev	12/23/2016	25,000,000.00	24,965,648.96	24,947,500.00	1.13	1.72	11/27/2019	72,812.50	(18,148.96)
Intl Bank For Recon and Dev	01/04/2017	25,000,000.00	24,969,162.03	24,947,500.00	1.13	1.66	11/27/2019	72,812.50	(21,662.03)
Intl Bank For Recon and Dev	04/06/2017	25,000,000.00	25,034,700.07	24,991,500.00	1.88	1.97	04/21/2020	168,833.33	(43,200.07)
Intl Bank For Recon and Dev	04/20/2017	25,000,000.00	25,050,425.53	24,991,500.00	1.88	1.86	04/21/2020	168,833.33	(58,925.53)
Inter-American Development Bk	04/12/2017	50,000,000.00	49,973,204.05	49,892,500.00	1.63	1.70	05/12/2020	245,965.27	(80,704.05)
Intl Bank For Recon and Dev	08/29/2017	15,000,000.00	14,998,946.13	14,973,150.00	1.63	1.63	09/04/2020	119,704.17	(25,796.13)
Intl Bank For Recon and Dev	08/29/2017	35,000,000.00	34,997,540.97	34,937,350.00	1.63	1.63	09/04/2020	279,309.73	(60,190.97)
Intl Bank For Recon and Dev	09/21/2017	25,000,000.00	24,987,962.61	24,955,250.00	1.63	1.67	09/04/2020	199,506.94	(32,712.61)
Intl Bank For Recon and Dev	10/30/2015	25,000,000.00	25,000,000.00	25,001,250.00	2.00	1.35	10/15/2020	188,972.22	1,250.00
Inter-American Development Bk	04/19/2018	100,000,000.00	99,880,222.22	101,583,000.00	2.63	2.70	04/19/2021	962,500.00	1,702,777.78
International Finance Corp	07/20/2016	25,000,000.00	24,952,564.31	24,793,000.00	1.13	1.23	07/20/2021	30,702.50	(159,564.31)
International Finance Corp	10/07/2016	12,500,000.00	12,446,503.63	12,396,500.00	1.13	1.36	07/20/2021	16,219.38	(50,003.63)
Intl Bank For Recon and Dev	11/23/2016	10,000,000.00	10,000,000.00	10,032,600.00	1.75	1.75	11/23/2021	10,694.43	32,600.00
Intl Bank For Recon and Dev	09/29/2017	25,000,000.00	25,000,000.00	25,005,000.00	1.98	1.98	09/29/2022	209,000.00	5,000.00
Inter-American Development Bk	04/04/2019	15,000,000.00	15,082,308.10	15,490,800.00	2.50	2.33	01/18/2023	44,791.67	408,491.90
Inter-American Development Bk	04/04/2019	10,000,000.00	10,055,675.07	10,327,200.00	2.50	2.33	01/18/2023	29,861.11	271,524.93
Intl Bank For Recon and Dev	03/06/2019	25,000,000.00	25,000,000.00	25,183,250.00	2.90	2.90	03/06/2023	352,430.56	183,250.00
Inter-American Development Bk	04/16/2019	50,000,000.00	50,000,000.00	50,886,000.00	2.53	2.53	07/06/2023	203,916.67	886,000.00
Inter-American Development Bk	04/16/2019	25,000,000.00	25,000,000.00	25,443,000.00	2.53	2.53	07/06/2023	101,958.33	443,000.00
Intl Bank For Recon and Dev	04/22/2019	10,000,000.00	10,207,813.54	10,586,600.00	3.00	2.46	09/27/2023	107,500.00	378,786.46
Intl Bank For Recon and Dev	04/25/2019	6,000,000.00	6,132,161.01	6,351,960.00	3.00	2.43	09/27/2023	63,000.00	219,798.99
Inter-American Development Bk	03/21/2019	25,000,000.00	25,432,969.99	26,474,250.00	3.00	2.55	10/04/2023	306,250.00	1,041,280.01
Inter-American Development Bk	04/25/2019	25,000,000.00	25,185,416.67	26,221,000.00	2.63	2.44	01/16/2024	82,031.25	1,035,583.33
Inter-American Development Bk	04/29/2019	25,000,000.00	25,230,866.97	26,221,000.00	2.63	2.40	01/16/2024	82,031.25	990,133.03
Inter-American Development Bk	05/06/2019	34,750,000.00	35,034,991.12	36,447,190.00	2.63	2.45	01/16/2024	114,023.44	1,412,198.88
Inter-American Development Bk	04/02/2019	50,000,000.00	50,000,000.00	51,596,500.00	2.29	2.29	01/31/2024	98,583.33	1,596,500.00
Inter-American Development Bk	04/08/2019	50,000,000.00	50,000,000.00	51,612,000.00	2.33	2.33	02/29/2024	3,742.94	1,612,000.00
Intl Bank For Recon and Dev	03/11/2019	25,000,000.00	25,000,000.00	25,539,000.00	2.89	2.89	03/11/2024	340,590.28	539,000.00
Intl Bank For Recon and Dev	03/19/2019	25,000,000.00	24,962,917.50	26,130,250.00	2.50	2.53	03/19/2024	281,250.00	1,167,332.50
Intl Bank For Recon and Dev	03/26/2019	25,000,000.00	25,000,000.00	26,445,000.00	2.77	2.77	03/26/2024	298,159.72	1,445,000.00

INVESTMENT INVENTORY - MARKET VALUE

County of San Diego Pooled Money Fund As of August 31, 2019

Issuer	Purchase Date	Par Value	Book Value	Market Value	Coupon	YTM	Maturity Date	Accrued Interest	Unrealized Gain/Loss
Intl Bank For Recon and Dev	05/07/2019	25,000,000.00	25,000,000.00	26,453,750.00	2.75	2.75	05/07/2024	217,708.33	1,453,750.00
Intl Bank For Recon and Dev	05/15/2019	25,000,000.00	25,000,000.00	25,082,750.00	2.88	2.88	05/15/2024	212,000.00	82,750.00
Intl Bank For Recon and Dev	07/02/2019	50,000,000.00	50,000,000.00	50,183,500.00	2.20	2.20	07/01/2024	180,277.78	183,500.00
Supranationals Subtotal:		1,058,250,000.00	1,059,562,522.56	1,076,027,900.00	2.14	2.15		6,390,639.62	16,465,377.44
Sweep Fund									
JP Morgan	12/11/2018	7,299,066.81	7,299,066.81	7,299,066.81	1.57	1.57		8,789.62	0.00
Sweep Fund Subtotal:		7,299,066.81	7,299,066.81	7,299,066.81	1.57	1.57		8,789.62	0.00
Treasury Coupon Securities									
U.S. Treasury	10/24/2014	15,000,000.00	15,002,847.75	14,996,400.00	1.75	1.50	09/30/2019	110,450.82	(6,447.75)
U.S. Treasury	12/08/2014	15,000,000.00	14,993,473.47	14,980,050.00	1.50	1.68	11/30/2019	57,172.13	(13,423.47)
U.S. Treasury	01/09/2015	15,000,000.00	15,005,852.93	14,983,050.00	1.63	1.50	12/31/2019	41,728.94	(22,802.93)
U.S. Treasury	02/12/2016	20,000,000.00	20,026,962.56	19,953,200.00	1.38	1.04	01/31/2020	23,913.04	(73,762.56)
U.S. Treasury	04/09/2015	10,000,000.00	9,995,331.30	9,968,400.00	1.25	1.35	02/29/2020	62,843.41	(26,931.30)
U.S. Treasury	02/12/2016	20,000,000.00	20,030,041.65	19,947,600.00	1.38	1.06	02/29/2020	138,255.49	(82,441.65)
U.S. Treasury	04/09/2015	10,000,000.00	9,986,972.29	9,956,300.00	1.13	1.36	03/31/2020	47,336.07	(30,672.29)
U.S. Treasury	01/06/2017	20,000,000.00	19,982,876.08	19,940,600.00	1.38	1.53	03/31/2020	115,710.38	(42,276.08)
U.S. Treasury	06/05/2015	15,000,000.00	14,984,811.61	14,961,900.00	1.50	1.64	05/31/2020	57,172.13	(22,911.61)
U.S. Treasury	07/06/2018	20,000,000.00	19,993,469.83	20,110,200.00	2.50	2.54	06/30/2020	85,597.83	116,730.17
U.S. Treasury	01/06/2017	20,000,000.00	19,897,602.62	19,918,000.00	1.38	1.75	01/31/2021	23,913.04	20,397.38
U.S. Treasury	02/01/2019	13,000,000.00	13,002,522.39	13,148,850.00	2.50	2.49	01/31/2021	28,260.87	146,327.61
U.S. Treasury	06/17/2016	35,000,000.00	35,173,585.20	34,874,350.00	1.38	1.08	05/31/2021	122,284.84	(299,235.20)
U.S. Treasury	09/07/2016	5,000,000.00	4,998,811.90	4,960,150.00	1.13	1.14	06/30/2021	9,629.76	(38,661.90)
U.S. Treasury	09/07/2016	5,000,000.00	5,101,781.73	5,065,800.00	2.25	1.15	07/31/2021	9,782.61	(35,981.73)
U.S. Treasury	10/06/2016	25,000,000.00	24,935,568.34	24,797,750.00	1.13	1.25	09/30/2021	118,340.16	(137,818.34)
U.S. Treasury	12/09/2016	15,000,000.00	14,974,848.55	15,084,450.00	1.75	1.83	11/30/2021	66,700.82	109,601.45
U.S. Treasury	04/30/2019	50,000,000.00	49,156,113.32	50,531,500.00	1.75	2.27	01/31/2023	76,086.96	1,375,386.68
U.S. Treasury	05/31/2019	40,000,000.00	39,103,952.03	39,934,400.00	1.38	1.96	08/31/2023	139,010.99	830,447.97
U.S. Treasury	02/01/2019	10,000,000.00	10,014,500.43	10,459,400.00	2.50	2.46	01/31/2024	21,739.13	444,899.57
U.S. Treasury	04/02/2019	15,000,000.00	14,920,503.85	15,467,550.00	2.13	2.25	03/31/2024	132,377.05	547,046.15
U.S. Treasury	06/11/2019	15,000,000.00	15,398,182.29	15,737,100.00	2.50	1.91	05/15/2024	83,559.78	338,917.71
U.S. Treasury	07/15/2019	25,000,000.00	25,159,716.47	25,678,750.00	2.00	1.86	06/30/2024	65,217.40	519,033.53
U.S. Treasury	08/29/2019	10,000,000.00	10,470,704.21	10,456,300.00	2.38	1.39	08/15/2024	1,936.14	(14,404.21)
Treasury Coupon Securities Subtotal:		443,000,000.00	442,311,032.80	445,912,050.00	1.68	1.71		1,639,019.79	3,601,017.20
Grand Total		8,625,863,394.63	8,627,808,837.37	8,678,638,409.51	2.26	2.25		42,302,401.35	50,829,572.14

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
3608	Money Market Funds	Fidelity Government	2.22	Purchase	-380,000,000.00	08/01/19
3619	Federal Agencies	Federal Home Loan Mt	1.25	Redemption	25,000,000.00	08/01/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	265,988.82	08/01/19
5136	Commercial Paper	JP Morgan	3.00	Redemption	50,000,000.00	08/01/19
5138	Commercial Paper	JP Morgan	3.00	Redemption	20,000,000.00	08/01/19
5140	Commercial Paper	JP Morgan	3.00	Redemption	60,000,000.00	08/01/19
5144	Negotiable CD	Toronto Dominion NY	3.10	Redemption	30,000,000.00	08/01/19
5153	Commercial Paper	ING (US) Funding LLC	2.91	Redemption	50,000,000.00	08/01/19
5188	Negotiable CD	Toronto Dominion NY	2.97	Redemption	50,000,000.00	08/01/19
5198	Negotiable CD	Royal Bk of Canada/D	2.97	Redemption	75,000,000.00	08/01/19
5309	Sweep Fund	JP Morgan	1.63	Purchase	-3,837,122.92	08/01/19
5560	Negotiable CD	Toronto Dominion NY	2.57	Redemption	65,000,000.00	08/01/19
5581	Commercial Paper	Canadian Imperial Ho	2.50	Redemption	50,000,000.00	08/01/19
5894	Commercial Paper	Prudential Funding L	2.35	Redemption	50,000,000.00	08/01/19
5897	Commercial Paper	Natixis US Finance C	2.35	Redemption	300,000,000.00	08/01/19
5898	Asset Backed Securities	Toyota Auto Receivab	3.20	Purchase	-24,973,017.67	08/01/19
5899	Corporate Notes	JP Morgan	4.40	Purchase	-55,649,466.51	08/01/19
3608	Money Market Funds	Fidelity Government	2.18	Redemption	13,000,000.00	08/02/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	244,413.74	08/02/19
5309	Sweep Fund	JP Morgan	1.66	Purchase	-931,454.20	08/02/19
5591	Commercial Paper	BNP Paribas NY	2.50	Redemption	50,000,000.00	08/02/19
5900	Commercial Paper	MUFG Bank NY	2.20	Purchase	-24,862,500.00	08/02/19
5901	Commercial Paper	MUFG Bank NY	2.20	Purchase	-24,860,972.22	08/02/19
3608	Money Market Funds	Fidelity Government	2.12	Redemption	330,000,000.00	08/05/19
3698	Federal Agencies	Federal Home Loan Mt	1.00	Redemption	25,000,000.00	08/05/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	1,585,602.92	08/05/19
5309	Sweep Fund	JP Morgan	1.64	Redemption	4,439,674.92	08/05/19
5589	Commercial Paper	Canadian Imperial Ho	2.50	Redemption	50,000,000.00	08/05/19
5902	Commercial Paper	Natixis US Finance C	2.10	Purchase	-314,981,625.00	08/05/19
5903	Negotiable CD	Toronto Dominion NY	2.20	Purchase	-50,000,000.00	08/05/19
5904	Negotiable CD	Bank of Montreal	2.20	Purchase	-25,000,000.00	08/05/19
3630	Money Market Funds	Federated Government	2.08	Redemption	28,700,000.00	08/06/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Purchase	-2,075,342.50	08/06/19
5309	Sweep Fund	JP Morgan	1.62	Purchase	-776,916.06	08/06/19

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
5902	Commercial Paper	Natixis US Finance C	2.10	Redemption	315,000,000.00	08/06/19
5905	Commercial Paper	Natixis US Finance C	2.10	Purchase	-324,981,041.67	08/06/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	363,186.03	08/07/19
5309	Sweep Fund	JP Morgan	1.60	Purchase	-5,139,071.86	08/07/19
5893	Commercial Paper	MUFG Bank NY	2.21	Redemption	20,000,000.00	08/07/19
5905	Commercial Paper	Natixis US Finance C	2.10	Redemption	325,000,000.00	08/07/19
5906	Commercial Paper	MUFG Bank NY	2.20	Purchase	-34,878,083.33	08/07/19
5907	Commercial Paper	MUFG Bank NY	2.21	Purchase	-24,901,777.78	08/07/19
5908	Commercial Paper	MUFG Bank NY	2.20	Purchase	-24,911,388.89	08/07/19
5909	Commercial Paper	MUFG Bank NY	2.20	Purchase	-24,857,916.67	08/07/19
5910	Commercial Paper	MUFG Bank NY	2.20	Purchase	-24,862,500.00	08/07/19
5911	Commercial Paper	Natixis US Finance C	2.10	Purchase	-199,988,333.33	08/07/19
5912	Federal Agencies	Federal Home Loan Mt	2.19	Purchase	-25,000,000.00	08/07/19
5913	Federal Agencies	Federal Home Loan Mt	2.30	Purchase	-25,000,000.00	08/07/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	902,967.15	08/08/19
5309	Sweep Fund	JP Morgan	1.58	Redemption	3,042,818.51	08/08/19
5583	Commercial Paper	BNP Paribas NY	2.53	Redemption	50,000,000.00	08/08/19
5911	Commercial Paper	Natixis US Finance C	2.10	Redemption	200,000,000.00	08/08/19
5914	Commercial Paper	Natixis US Finance C	2.10	Purchase	-199,988,333.33	08/08/19
3608	Money Market Funds	Fidelity Government	2.11	Purchase	-20,000,000.00	08/09/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	2,516,456.78	08/09/19
5280	Commercial Paper	Bank of Montreal	2.84	Redemption	75,000,000.00	08/09/19
5309	Sweep Fund	JP Morgan	1.60	Purchase	-242,536.68	08/09/19
5892	Commercial Paper	MUFG Bank NY	2.21	Redemption	10,000,000.00	08/09/19
5914	Commercial Paper	Natixis US Finance C	2.10	Redemption	200,000,000.00	08/09/19
5915	Commercial Paper	Natixis US Finance C	2.10	Purchase	-224,960,625.00	08/09/19
3608	Money Market Funds	Fidelity Government	2.08	Purchase	-3,500,000.00	08/12/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Purchase	-2,490,903.40	08/12/19
5309	Sweep Fund	JP Morgan	1.60	Redemption	1,881,057.86	08/12/19
5592	Commercial Paper	BNP Paribas NY	2.53	Redemption	30,000,000.00	08/12/19
5915	Commercial Paper	Natixis US Finance C	2.10	Redemption	225,000,000.00	08/12/19
5916	Commercial Paper	Natixis US Finance C	2.90	Purchase	-219,987,227.78	08/12/19
3608	Money Market Funds	Fidelity Government	2.08	Redemption	18,000,000.00	08/13/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	451,494.05	08/13/19

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
5203	Commercial Paper	Credit Agricole CIB	2.90	Redemption	25,000,000.00	08/13/19
5309	Sweep Fund	JP Morgan	1.61	Redemption	201,984.02	08/13/19
5582	Commercial Paper	BNP Paribas NY	2.53	Redemption	50,000,000.00	08/13/19
5891	Commercial Paper	Canadian Imperial Ho	2.25	Redemption	25,000,000.00	08/13/19
5916	Commercial Paper	Natixis US Finance C	2.90	Redemption	220,000,000.00	08/13/19
5917	Commercial Paper	Natixis US Finance C	2.12	Purchase	-49,979,388.89	08/13/19
5918	Commercial Paper	Natixis US Finance C	2.90	Purchase	-269,984,325.00	08/13/19
3608	Money Market Funds	Fidelity Government	2.09	Purchase	-16,000,000.00	08/14/19
3608	Money Market Funds	Fidelity Government	2.09	Redemption	16,000,000.00	08/14/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	172,445.46	08/14/19
4695	Negotiable CD	Canadian Imp Bk Comm	2.45	Redemption	50,000,000.00	08/14/19
5309	Sweep Fund	JP Morgan	1.60	Purchase	-10,698,298.55	08/14/19
5918	Commercial Paper	Natixis US Finance C	2.90	Redemption	270,000,000.00	08/14/19
5919	Commercial Paper	Natixis US Finance C	2.90	Purchase	-249,985,486.11	08/14/19
5920	Asset Backed Securities	Toyota Auto Receivab	2.00	Purchase	-9,999,535.00	08/14/19
3608	Money Market Funds	Fidelity Government	2.08	Redemption	21,500,000.00	08/15/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	2,164,253.89	08/15/19
4674	Asset Backed Securities	Toyota Auto Receivab	2.10	Redemption	1,642,238.18	08/15/19
5143	Asset Backed Securities	Toyota Auto Receivab	2.98	Redemption	1,593,879.06	08/15/19
5309	Sweep Fund	JP Morgan	1.62	Redemption	10,989,168.25	08/15/19
5449	Asset Backed Securities	Toyota Auto Receivab	1.76	Redemption	496,426.65	08/15/19
5468	Asset Backed Securities	John Deere Owner Tru	2.63	Redemption	3,149,005.33	08/15/19
5600	Asset Backed Securities	Honda Auto Rec Owner	2.65	Redemption	2,584,830.90	08/15/19
5703	Corporate Notes	American Honda Finan	2.25	Redemption	8,044,000.00	08/15/19
5741	Asset Backed Securities	Chase Issuance Trust	1.58	Redemption	8,000,000.00	08/15/19
5759	Asset Backed Securities	Ford Credit Auto Own	2.39	Redemption	2,205,157.21	08/15/19
5768	Asset Backed Securities	Harley-Davidson Moto	2.39	Redemption	1,276,954.76	08/15/19
5919	Commercial Paper	Natixis US Finance C	2.90	Redemption	250,000,000.00	08/15/19
5922	Commercial Paper	Natixis US Finance C	2.90	Purchase	-259,984,905.56	08/15/19
3608	Money Market Funds	Fidelity Government	2.09	Purchase	-23,000,000.00	08/16/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Purchase	-2,799,703.03	08/16/19
5016	Negotiable CD	BNP Paribas SF	2.74	Redemption	10,000,000.00	08/16/19
5309	Sweep Fund	JP Morgan	1.59	Purchase	-120,785.27	08/16/19
5922	Commercial Paper	Natixis US Finance C	2.90	Redemption	260,000,000.00	08/16/19

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
5923	Commercial Paper	Natixis US Finance C	2.90	Purchase	-259,954,716.67	08/16/19
5924	Corporate Notes	Exxon Mobil	1.92	Purchase	-5,000,000.00	08/16/19
3608	Money Market Funds	Fidelity Government	2.08	Redemption	8,000,000.00	08/19/19
3825	Asset Backed Securities	Honda Auto Rec Owner	1.21	Redemption	526,371.59	08/19/19
3906	Asset Backed Securities	Honda Auto Rec Owner	1.16	Redemption	88,991.79	08/19/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Purchase	-1,363,902.42	08/19/19
4886	Asset Backed Securities	Honda Auto Rec Owner	2.60	Redemption	1,792,143.55	08/19/19
5309	Sweep Fund	JP Morgan	1.59	Redemption	517,538.22	08/19/19
5923	Commercial Paper	Natixis US Finance C	2.90	Redemption	260,000,000.00	08/19/19
5925	Commercial Paper	Natixis US Finance C	2.90	Purchase	-269,984,325.00	08/19/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	414,644.16	08/20/19
5309	Sweep Fund	JP Morgan	1.57	Redemption	2,277,752.24	08/20/19
5917	Commercial Paper	Natixis US Finance C	2.12	Redemption	50,000,000.00	08/20/19
5925	Commercial Paper	Natixis US Finance C	2.90	Redemption	270,000,000.00	08/20/19
5926	Commercial Paper	Natixis US Finance C	2.12	Purchase	-29,987,633.33	08/20/19
5927	Commercial Paper	Natixis US Finance C	2.09	Purchase	-269,984,325.00	08/20/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Purchase	-1,006,374.81	08/21/19
5030	Asset Backed Securities	Honda Auto Rec Owner	2.67	Redemption	2,987,619.52	08/21/19
5309	Sweep Fund	JP Morgan	1.55	Redemption	669,289.25	08/21/19
5315	Asset Backed Securities	Honda Auto Rec Owner	2.67	Redemption	157,596.93	08/21/19
5927	Commercial Paper	Natixis US Finance C	2.09	Redemption	270,000,000.00	08/21/19
5928	Corporate Notes	Procter & Gamble	2.15	Purchase	-10,129,172.22	08/21/19
5929	Corporate Notes	Procter & Gamble	2.15	Purchase	-20,258,344.44	08/21/19
5930	Commercial Paper	Natixis US Finance C	2.11	Purchase	-224,986,812.50	08/21/19
3608	Money Market Funds	Fidelity Government	2.05	Purchase	-7,000,000.00	08/22/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Purchase	-3,035,037.09	08/22/19
5309	Sweep Fund	JP Morgan	1.54	Purchase	-4,379,554.89	08/22/19
5930	Commercial Paper	Natixis US Finance C	2.11	Redemption	225,000,000.00	08/22/19
5932	Commercial Paper	Natixis US Finance C	2.90	Purchase	-209,987,808.33	08/22/19
3727	Federal Agencies	Federal Home Loan Mt	1.15	Redemption	25,000,000.00	08/23/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	7,481,221.20	08/23/19
5309	Sweep Fund	JP Morgan	1.54	Redemption	4,029,507.09	08/23/19
5932	Commercial Paper	Natixis US Finance C	2.90	Redemption	210,000,000.00	08/23/19
5933	Commercial Paper	Natixis US Finance C	2.90	Purchase	-209,963,425.00	08/23/19

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
3734	Federal Agencies	Federal Farm Credit	1.00	Redemption	50,000,000.00	08/26/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Purchase	-3,303,640.37	08/26/19
5309	Sweep Fund	JP Morgan	1.54	Purchase	-3,625,584.38	08/26/19
5933	Commercial Paper	Natixis US Finance C	2.90	Redemption	210,000,000.00	08/26/19
5934	Commercial Paper	Natixis US Finance C	2.90	Purchase	-199,988,388.89	08/26/19
5935	Corporate Notes	Bank of America Corp	2.20	Purchase	-10,000,000.00	08/26/19
5936	Corporate Notes	Bank of America Corp	2.20	Purchase	-25,000,000.00	08/26/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Purchase	-1,605,421.16	08/27/19
5309	Sweep Fund	JP Morgan	1.58	Redemption	1,615,819.38	08/27/19
5926	Commercial Paper	Natixis US Finance C	2.12	Redemption	30,000,000.00	08/27/19
5934	Commercial Paper	Natixis US Finance C	2.90	Redemption	200,000,000.00	08/27/19
5937	Commercial Paper	Natixis US Finance C	2.90	Purchase	-209,987,808.33	08/27/19
5938	Asset Backed Securities	Honda Auto Rec Owner	1.78	Purchase	-23,999,800.80	08/27/19
5939	Asset Backed Securities	Honda Auto Rec Owner	1.90	Purchase	-21,998,460.00	08/27/19
3608	Money Market Funds	Fidelity Government	2.05	Purchase	-14,000,000.00	08/28/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	5,784,866.06	08/28/19
5309	Sweep Fund	JP Morgan	1.57	Purchase	-923,287.77	08/28/19
5937	Commercial Paper	Natixis US Finance C	2.90	Redemption	210,000,000.00	08/28/19
5940	Commercial Paper	Natixis US Finance C	2.90	Purchase	-239,986,066.67	08/28/19
5941	Commercial Paper	Natixis US Finance C	2.12	Purchase	-14,988,516.67	08/28/19
5942	Commercial Paper	Natixis US Finance C	2.12	Purchase	-14,986,750.00	08/28/19
5943	Commercial Paper	Natixis US Finance C	2.12	Purchase	-14,987,633.33	08/28/19
5944	Commercial Paper	Natixis US Finance C	2.12	Purchase	-19,989,400.00	08/28/19
5945	Commercial Paper	Natixis US Finance C	2.12	Purchase	-19,990,577.78	08/28/19
5946	Commercial Paper	Prudential Funding L	2.90	Purchase	-49,997,097.22	08/28/19
3608	Money Market Funds	Fidelity Government	2.05	Redemption	16,000,000.00	08/29/19
3630	Money Market Funds	Federated Government	2.08	Redemption	1,000,000.00	08/29/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Redemption	105,418.69	08/29/19
5309	Sweep Fund	JP Morgan	1.57	Redemption	2,368,353.38	08/29/19
5940	Commercial Paper	Natixis US Finance C	2.90	Redemption	240,000,000.00	08/29/19
5946	Commercial Paper	Prudential Funding L	2.90	Redemption	50,000,000.00	08/29/19
5947	U.S. Treasury Notes	U.S. Treasury	2.38	Purchase	-10,480,519.71	08/29/19
5948	Commercial Paper	Natixis US Finance C	2.90	Purchase	-299,982,583.33	08/29/19
4393	Bank Deposit	Wells Fargo Bank NA	2.00	Purchase	-7,010,836.64	08/30/19

TRANSACTION ACTIVITY REPORT

Investment #	Instrument Type	Issuer	Coupon	Transaction Type	Total Cash	Transaction Date
5221	Negotiable CD	Toronto Dominion NY	2.99	Redemption	100,000,000.00	08/30/19
5309	Sweep Fund	JP Morgan	1.57	Purchase	-4,091,945.22	08/30/19
5414	Negotiable CD	UBS AG Stamford	2.62	Redemption	60,000,000.00	08/30/19
5948	Commercial Paper	Natixis US Finance C	2.90	Redemption	300,000,000.00	08/30/19
5949	Commercial Paper	Natixis US Finance C	2.90	Purchase	-214,950,072.22	08/30/19
4401	U.S. Treasury Notes	U.S. Treasury	1.25	Redemption	10,000,000.00	08/31/19
Grand Total					732,144,731.14	

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