

BOARD MEMBER BRIEFING REPORT

2026 Special Tax Revenue Refunding Bonds

Perris Union High School District Public Financing Authority

Bond Amount: **\$30,455,000**

Total Estimated Savings: **\$9,012,670 Gross | \$2,626,623 NPV (7.25%)**

Call Date: **May 6, 2026 at 100% of Par**

Bond Closing: **April 6, 2026**

Prepared for Board Review | February 25, 2026

SECTION 1 — What Is This All About? (Plain Language Summary)

As a board member, you may be asking: 'What exactly is the District doing, and why should I vote yes?' This section answers that in plain, everyday terms.

The Simple Story: Think of It Like Refinancing Your Home Mortgage

Imagine you took out a home mortgage 10 years ago at a 5% interest rate. Today, interest rates have dropped to 3.5%. A smart homeowner would refinance — meaning they take out a NEW loan at the lower rate to pay off the old one. The monthly payment drops, and over the life of the loan, they save thousands of dollars.

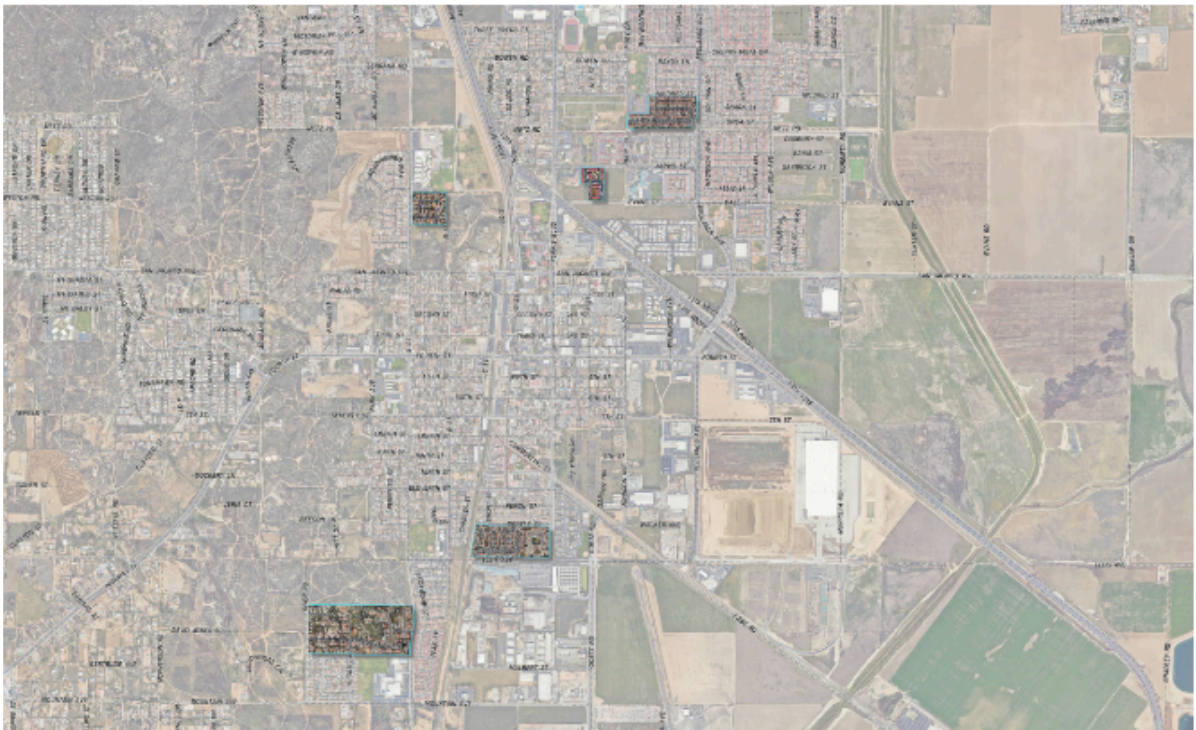
That is EXACTLY what the Perris Union High School District is doing — but instead of a home mortgage, it involves special tax bonds tied to two of the District's Community Facilities Districts (CFDs).

What Are the CFDs?

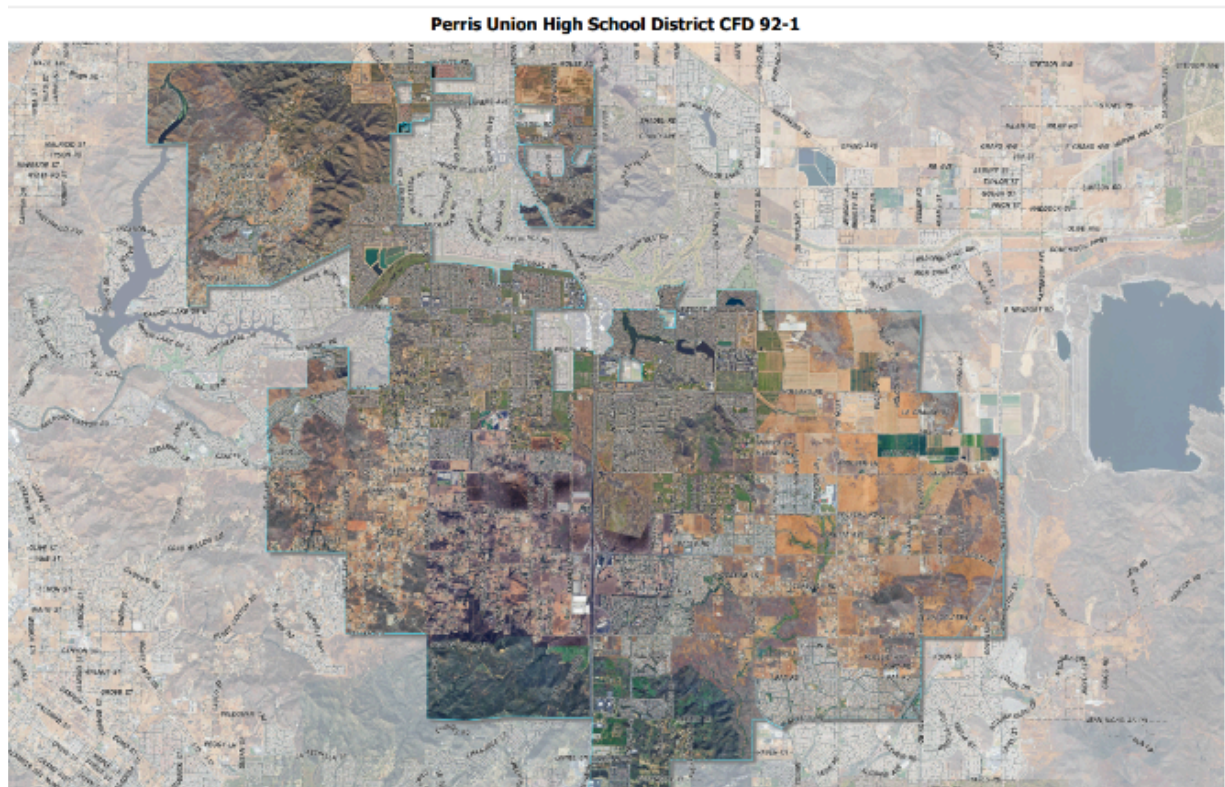
In the 1990s, the District created two special taxing zones called Community Facilities Districts to help fund school facilities as new neighborhoods were built:

- CFD No. 91-1 (formed 1991) — A small, fully built-out zone in the City of Perris with 492 homes and apartments.

Perris Union High School District CFD 91-1



- CFD No. 92-1 (formed 1992) — A much larger zone covering approximately 32,000 acres across Menifee, Murrieta, Lake Elsinore, and unincorporated Riverside County with over 27,000 homes.



Homeowners in these zones pay a special tax each year on their property tax bill. That money is used to pay back bonds that funded school construction.

What Were the Old Bonds?

In 2015, the District issued bonds to raise money for school facilities. Those bonds — called the '2015 Revenue Bonds' — currently have \$36,240,000 still outstanding. The contract allows the District to call (pay them off early) starting May 6, 2026.

What Are the New Bonds?

The new 2026 Refunding Bonds will raise \$30,455,000. That money, along with current reserve fund balances held by the two CFDs, will be used immediately to pay off the remaining \$36,240,000 on the old bonds. Because interest rates are more favorable now, the new bonds cost less over time, saving the District nearly \$2.63 million in net present value — money that stays in the community rather than going to bondholders as excess interest.

Who Pays for the New Bonds?

The same homeowners and property owners who are already paying special taxes. Their annual payments do NOT go up — in fact, over time, because the refunding generates surplus, the District has more flexibility. No new taxes. No new burden on the general fund.

SECTION 2 — The Numbers Made Simple

What Are We Saving?

Savings Metric	CFD 91-1	CFD 92-1
Old Bond Balance Being Paid Off	\$8,330,000	\$27,910,000
New Bond Amount	\$7,010,000	\$23,445,000
Gross Savings	\$2,721,576	\$6,291,094
Net Present Value (NPV) Savings	\$737,000	\$1,889,622
NPV Savings %	8.85%	6.77%

Property Values & Security — How Safe Is This?

A key measure of bond safety is the 'value-to-lien ratio' — basically, how much is the property worth compared to what is owed on the bond? Think of it like equity in a home. The higher the ratio, the safer the bond.

The District's combined ratio is 18.16:1. That means for every \$1 of bond debt, there is \$18.16 in property value backing it up. Industry standard considers anything above 3:1 to be acceptable. Our CFDs are approximately six times safer than minimum standards.

Assessed values have grown consistently every year for the past five years, averaging roughly 8% annual growth — reflecting a healthy, expanding community.

SECTION 3 — How the Money Flows (A Simple Diagram Explained)

Here is how the special tax money moves from homeowners to bondholders — think of it like water flowing through pipes with safety valves along the way:

- 1 Homeowners pay their annual property tax bill to the Riverside County Tax Collector (just like paying any property tax).
- 2 The special tax portion of that bill is sent to the local CFD. Each CFD's taxes ONLY pay that CFD's bonds — they are not mixed together.
- 3 The CFD must collect at least 110% of what is needed to pay the bond. The extra 10% is a safety cushion. Any additional surplus is held locally by the District.

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100% of what the Authority owes to bondholders is funded by the CFD debt service payments. The Authority passes this along to bond investors.

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A Reserve Fund (like an emergency savings account) worth \$4,033,261 is maintained and backed by a bond insurance surety policy — an additional safety net.

SECTION 4 — The Real-World Analogy: The Smith Family's Neighborhood

To make this even more concrete, let's follow a fictional family — the Smiths — who live in the CFD 92-1 zone in the City of Menifee.

In 2005, the Smith family bought a home in a new development. When the neighborhood was planned, the developer agreed to be part of CFD 92-1. This meant the new school their kids would attend (funded partly by CFD bonds) was built before the neighborhood even opened. In exchange, the Smiths pay a small special tax each year — about \$343 for a typical developing property.

Back in 2015, the District issued bonds to fund school improvements. Now, interest rates have improved enough that the District can refinance. The Smiths' tax payment stays the same. But the District's total debt obligation drops by nearly \$6 million between the two CFDs. That is like a homeowner saving money on interest without changing their lifestyle at all.

Over the life of the bond (through 2038 for CFD 92-1), the District estimates it will collect about \$94.8 million in net special tax revenues from all property owners in CFD 92-1, while the total bond payments are only \$32.8 million — creating over \$62 million in surplus that can support District facilities and operations. That is strong, healthy fiscal management.

SECTION 5 — Delinquency: Are People Paying Their Taxes?

One question board members should ask is: 'Are property owners actually paying their special taxes?' The answer is overwhelmingly yes.

CFD 91-1 (City of Perris)

Essentially pristine. Annual delinquency rates have been below 0.35% for five consecutive years. As of December 2025, only ONE parcel for \$766 remained delinquent. That is exceptional performance.

CFD 92-1 (Menifee / Riverside County area)

After a brief pandemic-era spike to 2.0% in 2020-21, delinquencies have steadily declined to just 0.57% in 2024-25. As of December 2025, only 0.35% of the levy remained outstanding — well within normal municipal bond parameters.

If delinquencies were ever to become a problem, the District has strong enforcement tools: judicial foreclosure must begin within 90 days for any single parcel that owes \$5,000 or more, and within 90 days of June 15th if total delinquencies exceed 5% of the annual levy.

SECTION 6 — The Timeline: What Happens When

DATE	MILESTONE
Feb 25, 2026	Credit Presentation to S&P Rating Agency (today's meeting)
By Mar 10, 2026	Receipt of credit rating from S&P — a quality score for the bonds
Mar 11, 2026	Board Meeting — Board votes to approve the bond issuance
Mar 12, 2026	Preliminary Official Statement (POS) printed and posted publicly
Mar 19, 2026	Bond Pricing — interest rates and terms locked in with investors
Apr 6, 2026	Bond Closing — money is received and placed in escrow
May 6, 2026	Old 2015 bonds are paid off in full at par (100 cents on the dollar)

SECTION 7 — The Professional Team Working on This

The District is not doing this alone. A full team of professionals has been assembled:

ROLE	FIRM / PERSON	WHAT THEY DO
Underwriter	Stifel / Erica Gonzalez	Sells the bonds to investors and structures the deal
Municipal Advisor	Fieldman / Adam Bauer	Advises the District on strategy and terms
Special Tax Consultant	Koppel & Gruber / Lyn Gruber	Manages special tax rates and calculations
Bond & Disclosure Counsel	Stradling / Kerrigan Bennett	Provides legal oversight and disclosure documents

SECTION 8 — Frequently Asked Questions for Board Members

Below are the 10 questions most commonly asked by board members when reviewing a bond refunding action.

Q1: Why are we doing this now? Why not wait?

Timing is everything in bond refunding. The current interest rate environment allows the District to achieve net present value savings of 7.25% — well above the 3-5% threshold typically used to justify a refunding. The 2015 bonds become callable on May 6, 2026. If the District waits, rates could rise and the savings opportunity could shrink or disappear entirely. Our financial advisor has confirmed this is an optimal window.

Q2: Do property owners (taxpayers in the CFDs) pay more as a result of this?

No. The special taxes collected from property owners do not increase because of this refunding. They are still assessed based on the same Rate and Method of Apportionment (RMA) that has been in place for decades. The savings come from restructuring the District's debt at a lower cost — not from increasing revenues.

Q3: What does 'NPV savings of 7.25%' actually mean in plain English?

NPV stands for Net Present Value — it's a way of expressing the value of future savings in today's dollars. A 7.25% NPV savings means the District is saving 7.25 cents for every dollar of the old bonds being refunded, measured in today's purchasing power. In dollar terms, that's \$2,626,623. Industry practice generally considers a refunding worthwhile when NPV savings exceed 3-5%, so our 7.25% estimate is a strong result.

Q4: What happens if homeowners stop paying their special taxes — could the District be stuck?

This is a great risk management question. First, historically, delinquency rates in both CFDs have been extremely low — under 0.57% for CFD 92-1 and near zero for CFD 91-1. Second, there are strong legal enforcement tools: the District can begin judicial foreclosure proceedings within 90 days for any parcel delinquent over \$5,000. Third, a Reserve Fund worth over \$4 million backed by a bond insurance surety policy acts as a financial cushion if payments are delayed.

Q5: What is a 'value-to-lien ratio' and why should I care?

Think of it like the equity in a home. If your house is worth \$500,000 and your mortgage is \$100,000, you have a 5:1 value-to-lien ratio — strong equity. Our combined CFD ratio is 18.16:1, meaning for every \$1 of bond debt, there is \$18.16 of property value behind it. This is far above the 3:1 minimum typically required. It means even in a severe real estate downturn, the bonds are well-protected.

Q6: Does this add new debt to the District's balance sheet?

No. This is a refunding, not new money borrowing. The new bonds replace the old bonds. The total bond debt actually decreases — from \$36,240,000 outstanding to \$30,455,000 in new bonds — a reduction of approximately \$5.8 million in principal. The District's overall debt burden goes down as a result of this transaction.

Q7: What is the general fund impact — does this affect teacher salaries or classroom budgets?

There is no general fund impact. The refunding bonds are paid entirely from CFD special taxes — a separate, dedicated revenue stream. These are not connected to Proposition 98 education funding, LCFF revenues, or any source that funds daily operations. The District's operational budget is completely insulated from this transaction.

Q8: Can the District issue more bonds on top of these in the future?

The bond documents specifically restrict this. Both CFDs and the Authority are prohibited from issuing additional bonds on a parity basis except for refunding purposes. This is a key investor protection that also benefits the District — it prevents future boards from inadvertently over-leveraging these CFDs.

Q9: What credit rating is the District seeking and why does it matter?

The District submitted this presentation to S&P (Standard & Poor's) for a credit rating by March 10, 2026. A credit rating is like a report card for bonds — the better the rating, the lower the interest rate investors require, which means more savings for the District. Strong value-to-lien ratios, low delinquency rates, and healthy assessed value growth all support a favorable rating outcome.

Q10: What is the Board actually being asked to vote on, and what happens if we say no?

The Board will be asked on March 11, 2026, to formally approve the issuance of the 2026 Special Tax Revenue Refunding Bonds. If the Board approves, the process moves forward and the District locks in approximately \$2.6 million in NPV savings. If the Board declines, the 2015 bonds remain outstanding at their current (higher) cost. There is no legal obligation to refund — but doing so now is clearly in the District's financial interest. Rejecting the refunding would effectively cost the District the savings opportunity.

CONCLUSION — What the Board Should Know

In summary, this refunding is sound, prudent fiscal management. It:

- Reduces the District's outstanding debt by approximately \$5.8 million
- Saves approximately \$2.6 million in net present value terms (7.25% NPV savings)
- Does NOT raise taxes on any property owner
- Has no impact on the District's general fund or operational budget

- Is backed by \$11.6 billion in assessed property value — a value-to-lien ratio of 18.16:1
- Is supported by a seasoned professional team with established track records in public finance

This report was prepared to assist board members in understanding the 2026 Special Tax Revenue Refunding Bonds.

All financial figures are preliminary and subject to change. Source: Stifel, Koppel & Gruber, PUHSD.