



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 12.5

Meeting Date: April 6, 2017

Subject: Approve Resolution No. 2931: Authorizing the Issuance and Negotiated Sale of Sacramento City Unified School District 2017 General Obligation Bonds (Measures Q and R) (Election of 2012) an Amount Not to Exceed \$122,000,000 of which up to \$112,000,000 is allocated to Measure Q and \$10,000,000 allocated to Measure R and Related Documents and Actions and Term Not to Exceed August 1, 2047

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Approve Resolution No. 2931 authorizing the negotiated sale of General Obligation Bonds for Measures Q and R and approving forms of documents and actions of officers of the District necessary in connection with the bonds.

Background/Rationale: In 2012, district voters passed Measures Q and R, a Proposition 39 election authorization the issuance of approximately \$346 million of Measure Q and \$68 million of Measure R general obligation bonds.

The District has issued approximately \$146 million of Measure Q Bonds and \$27.1 million of Measure R Bonds. The 2017 issuance will be the fifth issuance of Measure Q Bonds and the third issuance of Measure R Bonds. The 2017 Measure Q Bonds will fund high priority projects consisting of core academic renovations, modernization of school facilities, program enhancements, energy conservation and technology projects. The 2017 Measure R Bonds will be spent on the Nutrition Services Center.

In order to keep the project construction moving forward, staff is requesting Board approval to issue additional Measure Q and Measure R Bonds in amounts not-to-exceed \$122 million and \$10 million respectively.

Financial Considerations: General obligation bonds are repaid by local property tax revenues. The obligation of the bond's debt service is separate from the general fund of the District. The bonds do not impact the general fund.

LCAP Goal(s): Family and Community Empowerment; Operational Excellence

Documents Attached

1. Executive Summary
2. Authorizing Resolution No. 2931
3. Form of Paying Agent Agreement
4. Form of Preliminary Official Statement
5. Form of Continuing Disclosure Certificate
6. Form of Bond Purchase Agreement
7. Form of Tax and Continuing Disclosure Guidelines

Estimated Time of Presentation: 10 Minutes

Submitted by: Gerardo Castillo, CPA, Chief Business Officer

Approved by: José L. Banda, Superintendent

Board of Education Executive Summary

Business Services

Measures Q and R 2017 Bond Sale

April 6, 2017



I. OVERVIEW / HISTORY

On November 6, 2012, the District received authorization, by more than fifty-five percent of the votes cast by eligible voters, to issue Measure Q General Obligation Bonds (Measure Q Bonds) in the amount of \$346 million and Measure R General Obligation Bonds (Measure R Bonds) in the amount of \$68 million.

Measure Q provides for the upgrading of classrooms; science labs; computer systems and technology; renovating heating and ventilation systems; improving student safety and security systems; and repairing roofs, restrooms, floors and plumbing.

Measure R provides for improving physical education facilities and bathrooms; repair irrigation systems and water drainage; removing asbestos, lead paint and other unsafe conditions; upgrading kitchen facilities to improve nutrition and nutritional education, and safety improvements to all schools

To date, the District has issued approximately \$146.9 million of Measure Q Bonds and \$27.1 million of Measure R Bonds. The 2017 issuance will be the fifth issuance of Measure Q Bonds and the third issuance of Measure R Bonds.

In order to keep the project construction moving forward, staff is requesting Board approval to issue additional Measure Q and Measure R Bonds in amounts not-to-exceed \$122 million and \$10 million respectively. The 2017 Measure Q Bonds will fund high priority projects consisting of core academic renovations, modernization of school facilities, program enhancements, energy conservation and technology projects. The 2017 Measure R Bonds will be spent on the Nutrition Services Center.

Following the first reading on March 16, 2017, staff met to review the planned construction expenditure schedule and bond sizing. The current bond sizing reflects an increase in Measure Q Bonds of \$30.9 million and a corresponding decrease in the amount of Measure R Bonds. The increased amount of Measure Q bonds will fund the construction upgrades that the District was planning to address in 2019. The remaining Measure R authorization of \$30.9 million will be issued in 2019, when the District anticipates being ready for construction of the kitchen.

In addition, on March 16, 2017, staff recommended that the bond term be extended from 25 years to 30 years. The resolution presented to the Board reflects the recommended bond term and bond sizing discussed in this summary. There are no other changes to the Board item.

Board of Education Executive Summary

Business Services

Measures Q and R 2017 Bond Sale

April 6, 2017



Following the 2017 issuance, staff estimates that there will be \$30.9 million of remaining Measure R bond authorization and \$87.1 million of remaining Measure Q bond authorization.

II. DRIVING GOVERNANCE

- California Government Code Section 53508 allows school districts to issue and sell bonds at a public or private sale
- Education Code Section 15140 and following authorizes the County to allow school districts to issue bonds on their own

III. BUDGET

General obligation bonds are voter-approved debt, which are secured by the legal obligation to levy *ad valorem* property taxes in an amount sufficient to pay annual debt service. General obligation bonds are not paid from the District's general fund. As authorized by the taxpayers, the County Director of Finance is obligated to levy *ad valorem* taxes on a property subject to taxation in the District. Costs associated with the Bonds do not impact the District's general fund.

IV. GOALS, OBJECTIVES, AND MEASURES

As part of the District's fiduciary responsibility to its taxpayers, staff and the District's financial advisor from Capitol PFG will present the bond issuance plan required to implement the projects approved by the voters.

V. MAJOR INITIATIVES

Measure Q funds will fund approved projects such as:

- Core Academic Renovation, Modernization, Repair & Upgrade Projects
- Technology Upgrades
- District-Wide Fire & Irrigation Improvements
- Program Enhancements and Program Management
- Resource & Energy Conservation Improvement Projects

Measure R funds will fund approved projects such as:

- Nutrition Services Center
- Program Management

Board of Education Executive Summary

Business Services

Measures Q and R 2017 Bond Sale
April 6, 2017



VI. RESULTS

The District is implementing approved projects while minimizing the impact to our taxpayers.

VII. LESSONS LEARNED/NEXT STEPS

The attached documents are presented to the Board for action.

BOARD OF EDUCATION
OF THE
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

RESOLUTION NO. 2931

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF BONDS OF THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT IN AN AMOUNT NOT TO EXCEED \$112,000,000 OF SAID BONDS OF MEASURE Q AND NOT TO EXCEED \$10,000,000 OF SAID BONDS OF MEASURE R BY A NEGOTIATED SALE; PRESCRIBING THE TERMS OF SAID BONDS, APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A PAYING AGENT AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, AN OFFICIAL STATEMENT AND COMPLIANCE PROCEDURES RELATING TO SAID BONDS; DELEGATING TO THE AUTHORIZED DISTRICT REPRESENTATIVE POWER TO SELECT THE UNDERWRITER; AND AUTHORIZING THE EXECUTION OF NECESSARY CERTIFICATES AND DOCUMENTS RELATING TO SAID BONDS

WHEREAS, two elections (each, the “Election of 2012”) were duly called and regularly held in the Sacramento City Unified School District, County of Sacramento, California (herein called the “District”), each on November 6, 2012, pursuant to Sections 15100 and 15264 and following of the Education Code of the State of California, at which bond propositions summarized as follows were submitted to the electors of the District (Measure Q and Measure R, respectively):

“To better prepare students for college and careers by upgrading classrooms, science labs, computer systems and technology; renovating heating and ventilation systems; reducing costs through energy efficiency; improving student safety and security systems; repairing roofs, floors, walkways, bathrooms, electrical, plumbing and sewer systems; shall Sacramento City Unified School District issue \$346 million in bonds with independent citizen oversight, no money for administrator salaries, and mandatory annual audits to guarantee funds are spent properly to benefit local children?”

“To improve the health and safety of children, repair playgrounds and playfields to meet modern safety standards, improve physical education facilities and bathrooms, improve irrigation systems and water drainage to reduce water consumption, remove asbestos, lead paint and other unsafe conditions and to upgrade kitchen facilities to improve nutrition and nutritional education for children, shall the Sacramento City Unified School District issue \$68 million of

bonds, with independent Citizen’s Oversight and no money for administrator salaries?”

and

WHEREAS, passage of said propositions required a 55% affirmative vote of the votes cast therein, and at least 55% of the votes cast on said propositions were in favor of issuing said bonds; and

WHEREAS, \$30,000,000 aggregate principal amount of said bonds, designated “Sacramento City Unified School District General Obligation Bonds (Measures Q and R) (Election of 2012), 2013 Series A (Tax-Exempt)” have heretofore been issued and sold, of which \$18,425,953 was allocated to the Measure Q authorization and \$11,574,047 was allocated to the Measure R authorization; and

WHEREAS, \$40,000,000 aggregate principal amount of said bonds, designated “Sacramento City Unified School District General Obligation Bonds (Measures Q and R) (Election of 2012), 2013 Series B (Qualified School Construction Bonds) (Taxable)” have heretofore been issued and sold, of which \$24,474,047 was allocated to the Measure Q authorization and \$15,525,953 was allocated to Measure R authorization; and

WHEREAS, \$66,260,000 aggregate principal amount of said bonds, designated “Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), 2015 Series C-1 (Tax-Exempt)” have heretofore been issued and sold; and

WHEREAS, \$23,740,000 aggregate principal amount of said bonds, designated “Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), 2015 Series C-2 (Taxable)” have heretofore been issued and sold; and

WHEREAS, \$14,000,000 aggregate principal amount of said bonds, designated “Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2016 Series D” have heretofore been issued and sold; and

WHEREAS, a school district is authorized by Sections 53506 and following of the Government Code of the State (the “Government Code”) to issue and sell its bonds at public or private sale; and

WHEREAS, this Board intends to sell said bonds by negotiated sale to an underwriter (the “Underwriter”) to be selected by the Authorized District Representative (as defined herein) and disclosed at a meeting of this Board first occurring after such selection; and

WHEREAS, Section 53508.7 of the Government Code provides that a private sale is limited to bonds sold pursuant to Sections 15140 or 15146 of the Education Code of the State (the “Education Code”); and

WHEREAS, in accordance with Education Code Section 15146, this Board has determined that conditions in the municipal marketplace require the increased flexibility an Underwriter can provide in structuring and planning the sale of the bonds; and

WHEREAS, in accordance with Education Code Section 15146, estimates of the costs associated with the issuance of said bonds are attached hereto as Exhibit A; and

WHEREAS, Section 15140(b) of the Education Code provides that the board of supervisors of a county may authorize a school district over which the county superintendent of schools has jurisdiction to issue and sell its own bonds without the further action of the board of supervisors or officers of the county if said school district has not received a qualified or negative certification in its most recent interim report; and

WHEREAS, the District has not received a qualified or negative certification in its most recent interim report; and

WHEREAS, the District shall not sell bonds authorized by the Election of 2012 unless the tax rate levied to pay the bonds authorized by the Election of 2012 will not exceed \$60 per \$100,000 of taxable property when assessed valuation is projected by the District to increase in accordance with Article XIII A of the California Constitution; and

WHEREAS, the Superintendent of Schools of the County has jurisdiction over the District; and

WHEREAS, the District now wishes to request that the County authorize the District to issue and sell bonds on its own behalf; and

WHEREAS, the District has appointed Capitol Public Finance Group, as Financial Advisor to the District (the “Financial Advisor”) and Orrick, Herrington & Sutcliffe LLP as Bond and Disclosure Counsel to the District (“Bond Counsel”) with respect to said bonds; and

WHEREAS, the Director of Finance (the “Director of Finance”) of the County of Sacramento, Sacramento, California, serves as the paying agent for the District’s bonds; and

WHEREAS, the District desires that the Director of Finance annually establish tax rates on taxable property within the District for repayment of said bonds, pursuant to Sections 29100-29103 of the Government Code, and that the Board of Supervisors of the County annually approve the levy of such tax, and that the Director of Finance annually collect such tax and apply the proceeds thereof to the payment of principal of and interest on the bonds when due, all pursuant to Sections 15250 and 15251 of the Education Code; and

WHEREAS, there have been submitted and are on file with the Secretary of this Board proposed forms of a Bond Purchase Agreement; the Official Statement describing said bonds; a Paying Agent Agreement, providing for the terms of issuance and repayment of the bonds; a Continuing Disclosure Certificate; and Compliance Procedures; and

NOW, THEREFORE, THE BOARD OF EDUCATION OF THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER, AS FOLLOWS:

Section 1. Recitals. All of the above recitals are true and correct.

Section 2. Authority for Issuance. The bonds described herein are authorized to be issued pursuant to Article 4.5 of Chapter 3, of Part 1 of Division 2 of Title 5 of the Government Code, and other applicable provisions of law, including applicable provisions of the Education Code. The bonds to be issued under Measure Q (the “Measure Q Bonds”) are hereby authorized to be issued in an aggregate principal amount not to exceed \$112,000,000. The bonds to be issued under Measure R (the “Measure R Bonds” and, together with the Measure Q Bonds, the “Bonds”) are hereby authorized to be issued in an aggregate principal amount not to exceed \$10,000,000.

Section 3. Designation of Bonds. The Bonds shall be sold in one or more series, to be designated the “Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2017 Series E,” and “Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2017 Series C” with such additional designations as may be necessary to distinguish between Bonds of different payment mechanisms or features, as authorized hereby.

Section 4. Method of Sale of Bonds.

(a) Request for Permission to Sell Bonds at Negotiated Sale: The District has requested that the Board of Supervisors authorize the District by resolution to sell its Bonds at a negotiated sale pursuant to Government Code Section 53508.7 and Education Code Section 15140(b) without further action by the Board of Supervisors or officers of the County.

(b) Negotiated Sale of Bonds; Bond Purchase Agreement: Provided the County Board of Supervisors grants the authority requested in subdivision (a) of this section, the Authorized District Representative is hereby authorized, upon consultation with the Financial Advisor, to select the Underwriter and sell all or any portion or series of the Bonds to the Underwriter; provided, however, that the Underwriter shall be disclosed at the meeting of this Board first occurring after the selection of such Underwriter by the Authorized District Representative. The Bond Purchase Agreement, in substantially the form on file with the Secretary of this Board, is hereby approved, and the Superintendent of the District, the Chief Business Officer of the District, or such other officer of the District designated for the purpose (each an “Authorized District Representative”) is hereby authorized and directed to execute and deliver the Bond Purchase Agreement with the Underwriter, subject to such changes or revisions therein as may be acceptable to the Authorized District Representative, and the District’s approval of all such changes shall be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. The Bond Purchase Agreement shall provide: (i) that the aggregate purchase price of the Bonds sold thereunder shall be no less than the principal amount of such Bonds; (ii) that the Underwriter’s discount shall not exceed 0.40% of the aggregate principal amount of the Bonds sold (excluding any costs of issuance the Underwriter agrees to pay pursuant to Section 9 of the Bond Purchase Agreement); and (iii) that the Bonds sold thereunder shall otherwise conform to the limitations specified in this Resolution, including specifically those terms prescribed by Section 5 hereof.

Section 5. Terms of the Bonds and Interest Payment. The Bonds shall be issued in the form of current interest Bonds.

(a) Maturity: No Bond shall mature prior to August 1, 2017, nor later than 30 years from the date of issuance.

(b) Maximum Rate of Interest: The Bonds as to which interest shall be payable by the District shall bear interest or accrue in value at a nominal annual rate not to exceed 6.00%.

(c) The maximum true interest cost for the Bonds shall not be in excess of 6.0%.

(d) Current Interest Bonds: The Bonds shall be issued as current interest Bonds and shall bear interest computed on the basis of a 360-day year of twelve 30-day months, payable on such initial and periodic interest payment dates as shall be set forth in the Bond Purchase Agreement or other sale document, until maturity or prior redemption.

(e) Recital of Terms of Bonds: The Bond Purchase Agreement shall recite the terms of the Bonds sold under such document in accordance with this section as determined in the sale thereof, and such terms shall be memorialized in the Paying Agent Agreement described in Section 7 hereof.

Section 6. Tax Treatment of Bonds. All or any portion of the bonds shall be issued as exempt from federal income tax, as the Authorized District Representative shall determine upon consultation with the Financial Advisor, and according to the terms and conditions as Bond Counsel to the District shall advise are appropriate to and necessary for the issuance of tax-exempt bonds.

Section 7. Approval of Paying Agent Agreement. The Paying Agent Agreement relating to the Bonds between the District and the County, as paying agent/registrar and transfer agent (the "Paying Agent"), in substantially the form submitted to this Board, including the form of Bonds included therein, is hereby approved. The Authorized District Representative is hereby authorized to execute and deliver an instrument in substantially said form, completed with the terms of the Bonds determined upon the sale thereof, and with such other changes thereto as the Authorized District Representative may require or approve, and the District's approval of the Paying Agent Agreement shall be conclusively evidenced by the execution and delivery thereof.

Section 8. Approval of Official Statement. The Official Statement relating to the Bonds, in substantially the form on file with the Secretary of this Board, is hereby approved with such changes, additions and corrections as the Authorized District Representative may hereafter approve, and the Underwriter is hereby authorized to distribute copies of such Official Statement in preliminary form to persons who may be interested in purchasing the Bonds. The Authorized District Representative is hereby authorized to certify on behalf of the District that the preliminary form of the Official Statement was deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Authorized District Representative is hereby authorized and directed to sign said Official Statement in its final form, including the final pricing information, and the Underwriter is hereby authorized and directed to deliver copies of such Official Statement in final form to subsequent purchasers of the Bonds.

Section 9. Approval of Continuing Disclosure Certificate. The Continuing Disclosure Certificate relating to the Bonds, in substantially the form on file with the Secretary of this Board, is hereby approved. The Authorized District Representative, or the designee thereof, is hereby authorized on behalf of the District to execute and deliver the Continuing Disclosure Certificate in substantially the form submitted to this Board, with such changes thereto as deemed necessary in order to permit the purchaser of the Bonds to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate as finally executed and delivered.

Section 10. Tax-Exempt Governmental Bonds Tax Compliance and Continuing Disclosure Compliance Guidelines. The form of instrument entitled “Tax-Exempt Governmental Bonds Tax Compliance and Continuing Disclosure Compliance Guidelines” (the “Compliance Procedures”), in substantially the form on file with the Secretary of the Board, is hereby approved and adopted. The Authorized District Representative is hereby authorized to make any changes therein as the Authorized District Representative may require. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Compliance Guidelines.

Section 11. Investment of Proceeds. Proceeds of the Bonds held by the Director of Finance shall be invested at the Director of Finance’s discretion pursuant to law and the investment policy of the County, unless otherwise directed in writing by the District, pursuant to Section 53601 of the California Government Code and Section 41015 of the Education Code. The Director of Finance may, but is not required to, invest proceeds of the Bonds in the County Pooled Investment Fund.

(i) At the written direction of the District, given by the Authorized District Representative, who is hereby expressly authorized to give such direction, all or any portion of the building fund of the District may also be invested on behalf of the District in the Local Agency Investment Fund in the treasury of the State of California.

(ii) At the written direction of the District, given by the Authorized District Representative, who is hereby expressly authorized to give such direction, all or any portion of the building fund of the District may also be invested on behalf of the District in investment agreements which comply with the requirements of each rating agency then rating the Bonds necessary in order to maintain the then-current rating on the Bonds; provided that the Director of Finance shall approve and be a signatory to any such investment agreement. Pursuant to Section 5922 of the California Government Code, this governing board hereby finds and determines that the investment agreements will reduce the amount and duration of interest rate risk with respect to amounts invested pursuant to the investment agreements and are designed to reduce the amount or duration of payment, currency, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Bonds or enhance the relationship between risk and return with respect to investments of proceeds of the Bonds.

Section 12. Request for Tax Levy. The Board of Supervisors and officers of the County are obligated by statute to provide for the levy and collection of property taxes in each year sufficient to pay all principal and interest coming due on the Bonds in such year, and to pay from

such taxes all amounts due on the Bonds as provided by law and in the Paying Agent Agreement. The District hereby requests the Board of Supervisors to annually levy a tax upon all taxable property in the District sufficient to redeem the Bonds, and to pay the principal thereof, redemption premium, if any, and interest thereon as and when the same become due, and to provide for any mandatory sinking fund payments or set-asides that may be required, as set forth in the Paying Agent Agreement when executed.

Section 13. Pledge of Tax Revenues. The District hereby pledges all revenues from the property taxes collected from the levy by the County Board of Supervisors for the payment of outstanding bonds of the District heretofore or hereafter issued pursuant to voter-approved measures of the District, including the Bonds (for the purpose of this pledge, hereinafter collectively referred to as the “Bonds”) and amounts on deposit in the interest and sinking fund of the District to the payment of the principal or redemption price of and interest on the Bonds. This pledge shall be valid and binding from the date hereof for the benefit of the owners of the Bonds and successors thereto. The property taxes and amounts held in the interest and sinking fund of the District shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the interest and sinking fund of the District to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act.

The pledge is an agreement between the District and the bondholders to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds and each of the other Bonds secured by the pledge are or were issued to finance or refinance one or more of the projects specified in the applicable voter-approved measure.

Section 14. Approval of Actions. The President of this Board of Education, the Secretary of this Board of Education, the Superintendent of the District, the Chief Business Officer of the District, and any other officer of the District to whom authority is delegated by one of the named officers for the purposes of the Bonds, are hereby authorized and directed to execute and deliver any and all certificates and representations, including signature certificates, no-litigation certificates, certificates concerning the contents of the Official Statement, representation letters to The Depository Trust Company, the Tax Certificate and any other certificates proposed to be distributed in connection with the sale of the Bonds, and to enter into any agreements, including depository agreements, commitment letters and agreements with bond insurers, agreements providing for payment of costs of issuance of bonds, and any other agreements, letters, or representations, which any of them deem necessary or desirable to accomplish the transactions authorized herein. If in order to sell the Bonds in separate series or to separate purchasers as authorized herein, the District is required to prepare and deliver additional official statements, paying agent agreements, bond purchase agreements, continuing disclosure certificates, or other authorized documents, the preparation and delivery of such additional documents is hereby authorized. Actions of the Authorized District Representative heretofore taken to accomplish the purposes of this Resolution and consistent herewith are hereby ratified.

Section 15. Notice to California Debt and Investment Advisory Commission. The Authorized District Representative is hereby authorized and directed to cause notices of the proposed sale and final sale of the Bonds to be filed in a timely manner with the California Debt and Investment Advisory Commission pursuant to California Government Code Section 8855(g).

Section 16. Filing with Board of Supervisors. The Secretary of this Board is hereby authorized and directed to file a certified copy of this Resolution upon the adoption hereof with the Clerk of the Board of Supervisors.

Section 17. Effective Date. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this day, April 6, 2017, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

President of the Board of Education
of the Sacramento City Unified School District

ATTEST:

Acting Secretary of the Board of Education
of the Sacramento City Unified School District

EXHIBIT A

ESTIMATES OF COSTS OF ISSUANCE

\$112,000,000*
SACRAMENTO CITY UNIFIED
SCHOOL DISTRICT
(County of Sacramento, State of California)
General Obligation Bonds
Election of 2012 (Measure Q), 2017 Series E

\$10,000,000*
SACRAMENTO CITY UNIFIED
SCHOOL DISTRICT
(County of Sacramento, State of California)
General Obligation Bonds
Election of 2012 (Measure R), 2017 Series C

Description	Measure Q	Measure R	Total Cost
Orrick, Sutcliffe & Herrington Professional Services (Bond/Disclosure Counsel):	\$61,250.00	\$61,250.00	\$122,500.00
Capitol Public Finance Group, LLC Professional Services (Financial Advisor):	48,750.00	48,750.00	97,500.00
Other Expenses			
Moody's Investor Service (Rating Agency):	45,882.58	22,617.42	68,500.00
Fitch (Rating Agency)	40,189.13	19,810.87	60,000.00
Lozano Smith (General Counsel):	5,000.00	5,000.00	10,000.00
California Municipal Statistics (Data):	1,004.73	495.27	1,500.00
BNY Mellon (Costs of Issuance Custodian)	2,500.00	2,500.00	5,000.00
Printing POS/NOS:	1,250.00	1,250.00	2,500.00
Contingency	3,349.09	1,650.91	5,000.00
ESTIMATED COSTS OF ISSUANCE:	\$209,175.53	\$163,324.47	\$372,500.00

* Preliminary, subject to change.

SECRETARY'S CERTIFICATE

The Acting Secretary of the Board of Education of the Sacramento City Unified School District, County of Sacramento, California, hereby certifies as follows:

The attached is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of the District duly and regularly held at the regular meeting place thereof on April 6, 2017, and entered in the minutes thereof, of which meeting all of the members of the Board of Education had due notice and at which a quorum thereof was present. The resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of the meeting was posted at least 72 hours before said meeting at Serna Center, 5735 47th Avenue, Sacramento, California, a location freely accessible to members of the public, and a brief description of the adopted resolution appeared on the agenda. A copy of the agenda is attached hereto.

I have carefully compared the same with the original minutes of the meeting on file and of record in my office. The resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand this ____ day of April, 2017.

Acting Secretary of the Board of Education
of the Sacramento City Unified School District

PAYING AGENT AGREEMENT

between the

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT,
County of Sacramento California

and

COUNTY OF SACRAMENTO, CALIFORNIA,
as Paying Agent

Dated as of May 1, 2017

Relating to the

\$ _____
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2012
(MEASURE Q), 2017 SERIES E

\$ _____
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2012
(MEASURE R), 2017 SERIES C

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PAYING AGENT AGREEMENT

This PAYING AGENT AGREEMENT, made and entered into as of May 1, 2017, by and between the SACRAMENTO CITY UNIFIED SCHOOL DISTRICT, a school district duly formed and existing under and by virtue of the Constitution and Laws of the State of California (the "District"), and the COUNTY OF SACRAMENTO, CALIFORNIA, as paying agent (the "Paying Agent"),

W I T N E S S E T H:

WHEREAS, two elections (each, the "Election of 2012") were duly called and regularly held in the District on November 6, 2012, pursuant to Sections 15100 and 15264 and following of the Education Code of the State of California, at which a bond proposition summarized as follows was submitted to the electors of the District (Measure Q and Measure R, respectively):

"To better prepare students for college and careers by upgrading classrooms, science labs, computer systems and technology; renovating heating and ventilation systems; reducing costs through energy efficiency; improving student safety and security systems; repairing roofs, floors, walkways, bathrooms, electrical, plumbing and sewer systems; shall Sacramento City Unified School District issue \$346 million in bonds with independent citizen oversight, no money for administrator salaries, and mandatory annual audits to guarantee funds are spent properly to benefit local children?"

"To improve the health and safety of children, repair playgrounds and playfields to meet modern safety standards, improve physical education facilities and bathrooms, improve irrigation systems and water drainage to reduce water consumption, remove asbestos, lead paint and other unsafe conditions and to upgrade kitchen facilities to improve nutrition and nutritional education for children, shall the Sacramento City Unified School District issue \$68 million of bonds, with independent Citizen's Oversight and no money for administrator salaries?"

and

WHEREAS, passage of said propositions required a 55% affirmative vote of the votes cast therein, and at least 55% of the votes cast on said propositions were in favor of issuing said bonds; and

WHEREAS, \$30,000,000 aggregate principal amount of said bonds, designated "Sacramento City Unified School District General Obligation Bonds (Measures Q and R) (Election of 2012), 2013 Series A (Tax-Exempt)" have heretofore been issued and sold, of which \$18,425,953 was allocated to the Measure Q authorization and \$11,574,047 was allocated to the Measure R authorization; and

WHEREAS, \$40,000,000 aggregate principal amount of said bonds, designated “Sacramento City Unified School District General Obligation Bonds (Measures Q and R) (Election of 2012), 2013 Series B (Qualified School Construction Bonds) (Taxable)” have heretofore been issued and sold, of which \$24,474,047 was allocated to the Measure Q authorization and \$15,525,953 was allocated to Measure R authorization; and

WHEREAS, \$66,260,000 aggregate principal amount of said bonds, designated “Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), 2015 Series C-1 (Tax-Exempt)” have heretofore been issued and sold; and

WHEREAS, \$23,740,000 aggregate principal amount of said bonds, designated “Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), 2015 Series C-2 (Taxable)” have heretofore been issued and sold; and

WHEREAS, \$14,000,000 aggregate principal amount of said bonds, designated “Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2016 Series D” have heretofore been issued and sold; and

WHEREAS, the Superintendent of Schools of the County has jurisdiction over the District; and

WHEREAS, by its resolution duly adopted on April 6, 2017, the Board of Education of the District has authorized the issuance of a portion of said bonds in one or more series in an aggregate principal amount not exceeding \$112,000,000 of said bonds of Measure Q and \$10,000,000 of said bonds of Measure R, pursuant to Article 4.5 of Chapter 3, of Part 1 of Division 2 of Title 5 of the Government Code of the State (the “Government Code”), and other applicable provisions of law, including applicable provisions of the Education Code of the State (the “Education Code”); and

WHEREAS, a school district is authorized by Sections 53506 and following of the Government Code to issue and sell its bonds by a negotiated (or private) sale to an underwriter; Section 53508.7 of the Government Code limits a private sale to bonds sold pursuant to Sections 15140 or 15146 of the Education Code of the State (the “Education Code”); Section 15140(b) of the Education Code requires that for a school district to issue its own bonds without the county’s participation, the board of supervisors of the county must first approve the procedures; and the Board of Supervisors of the County, by its resolution adopted on April 11, 2017, has expressly authorized the District to proceed with a negotiated sale of its bonds under Section 53508.7 of the Government Code and Section 15140(b) of the Education Code; and

WHEREAS, the District has not received a qualified or negative certification on its most recent interim report; and

WHEREAS, the District has found and determined, and by execution hereof so represents, that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Paying Agent Agreement do exist, have happened and have been performed in regular and due

time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Paying Agent Agreement; and

NOW, THEREFORE, in order to provide for the payment of the Bonds and the performance and observance by the District of all the covenants, agreements and conditions herein and in the Bonds contained; to secure the acknowledgement and consent of Director of Finance of the County to the payment arrangements provided for herein; and in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration to both parties, the District and the Paying Agent hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes hereof and of any amendment hereof or supplement hereto and of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein, have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

(a) General Definitions.

“Board of Education” shall mean the Board of Education of the District.

“Bondowner” or “Owner” shall mean the person in whose name any Bond shall be registered.

“Bonds” shall mean all of the Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2017 Series E and Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2017 Series C issued hereunder, without regard to subseries name or number, interest payment mechanism, or tax treatment of interest thereon.

“Business Day” shall mean any day of the week other than a Saturday or a Sunday on which the Paying Agent is not required or authorized to remain closed, and on which the New York Stock Exchange is open for business.

“Chief Business Officer” shall mean the Chief Business Officer of the District.

“Code” shall mean the Internal Revenue Code of 1986, as the same shall be hereafter amended, and any regulations heretofore issued or which shall be hereafter issued by the United States Department of the Treasury thereunder.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate executed and delivered by the District, dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“County” shall mean the County of Sacramento, State of California.

“Current Interest Bond” shall mean any Bond issued under Section 2.02 hereof, the interest on which is payable on each Interest Payment Date to maturity or redemption prior to maturity.

“Director of Finance” shall mean the Director of Finance of the County. The “Office of the Director of Finance” shall mean the Office of the Director of Finance of the County, in Sacramento, California.

“District” shall mean the Sacramento City Unified School District, located in the County.

“Interest and Sinking Fund” shall mean the Interest and Sinking Fund of the District administered by the Director of Finance, established pursuant to State law.

“Interest Payment Date” shall mean February 1 and August 1 of each year, and May 1, 2047. The first Interest Payment Date shall be August 1, 2017.

“Law” shall mean Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the Education Code of the State, and other applicable provisions of law.

“Opinion of Counsel” shall mean a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“Owner.” See “Bondowner” defined herein.

“Paying Agent” shall mean the Director of Finance of the County of Sacramento, as initial paying agent, registrar, and transfer agent with respect to the Bonds, its successors and assigns and any other corporation or association which may at any time be substituted in its place as provided in Section 6.02 hereof.

“Paying Agent Agreement” shall mean this agreement, by and between the District and the Paying Agent.

“Record Date” shall mean the 15th day of the month preceding any Interest Payment Date. The first Record Date shall be July 15, 2017.

“State” shall mean the State of California.

“Tax Certificate” shall mean the Tax Certificate concerning certain matters pertaining to the use of proceeds of the Bonds, executed and delivered by the District on the date of issuance of the Bonds, including all exhibits attached thereto, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

“2017 Series C Bonds” means the Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2017 Series C.

“2017 Series E Bonds” shall mean the Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2017 Series E.

“Written Order of the District” or “Written Request of the District” shall mean an instrument in writing, signed by the Superintendent of the District, the Chief Business Officer/Associate Superintendent, Business Services of the District, or by any other officer of the District authorized in writing for the purpose by either of said officers or by the Board of Education of the District.

ARTICLE II

THE BONDS

Section 2.01. Authorization and Designation. The Bonds are issued for, and the proceeds of sale thereof shall be used exclusively for, the purposes approved by the voters of the District on November 6, 2012, in the bond measures known locally as “Measure Q” and “Measure R” as authorized by Resolution No. 2715, adopted by the Board of Education of the District on July 19, 2012. The Bonds shall be issued in fully registered form, without coupons.

Section 2.02. Current Interest Bonds; Terms. (a) The Bonds are issued under this Paying Agent Agreement as Current Interest Bonds, upon terms further described in this section. The Bonds issued under this section shall be named the “Sacramento City Unified School District General Obligation Bonds Election of 2012 (Measure Q), 2017 Series E” and “Sacramento City Unified School District General Obligation Bonds Election of 2012 (Measure R), 2017 Series C” for the purposes described in Section 2.01

(a) Date of Bonds. The Bonds shall be dated as of the date of issuance thereof, May ____, 2017.

(b) Denominations. The Bonds shall be issued in the denomination of \$5,000 principal amount or any integral multiple thereof. No Bond shall mature on more than one maturity date.

(c) Payment of Principal. (i) The Bonds shall mature on the dates in each of the years and principal amounts and bear interest at the annual rates of interest shown below:

2017 SERIES E BONDS

Maturity	Principal Amount	Interest Rate
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* Term Bond

2017 SERIES C BONDS

Maturity	Principal Amount	Interest Rate
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* Term Bond

The principal and any redemption premium of the Bonds shall be payable in lawful money of the United States of America to the Owner thereof, upon the surrender thereof at the office of the Paying Agent or at such other location as the Paying Agent shall designate, on or after the maturity date thereof or upon redemption prior to maturity as provided in Section 4.01 hereof.

(d) Payment of Interest. The Bonds shall bear interest at the respective rates shown in the table in subdivision (c) above, payable on February 1 and August 1 of each year, commencing August 1, 2017, and on May 1, 2047, until payment of the principal amount thereof. Each Bond authenticated and registered on any date prior to the close of business on the first Record Date shall bear interest from the date of said Bond. Each Bond authenticated during the period between any Record Date and the close of business on its corresponding Interest Payment Date shall bear interest from such Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is in default on outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds. Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The interest on the Bonds shall be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the Owner thereof as of the close of business on the applicable Record Date for each Interest Payment Date, whether or not such day is a Business Day. Payment of the interest on any Bond shall be made by check or draft mailed by first class mail on each Interest Payment Date (or on the following Business Day, if the Interest Payment Date does not fall on a Business Day) to such Owner at such Owner's

address as it appears on such registration books or at such address as the Owner may have filed with the Paying Agent for that purpose; or upon written request of the Owner of Current Interest Bonds aggregating not less than \$1,000,000 in principal amount, given no later than the Record Date immediately preceding the applicable Interest Payment Date, by wire transfer in immediately available funds to an account maintained in the United States at such wire address as such Owner shall specify in its written notice. So long as Cede & Co. or its registered assigns shall be the registered owner of any of the Bonds, payment shall be made thereto by wire transfer as provided in Section 2.05(d) hereof.

Section 2.03. Form and Registration of Bonds. (a) The Bonds, the Paying Agent's certificate of authentication and registration, and the form of assignment to appear thereon shall be in substantially the forms, respectively, attached hereto as Exhibit A, with necessary or appropriate variations, omissions and insertions as permitted or required by this Paying Agent Agreement (provided that if a portion of the text of any Bond is printed on the reverse of the bond, the following legend shall be printed on the bond: "THE PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE HEREOF AND SUCH CONTINUED PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.").

(b) The Bonds when issued shall be registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York, and shall be initially issued as one bond for each of the maturities of the Bonds, in the principal amounts set forth in the table in Section 2.02. The Depository Trust Company is hereby appointed depository for the Bonds and registered ownership of the Bonds may not thereafter be transferred except as provided in Sections 2.05 and 2.06 hereof.

Section 2.04. Execution and Authentication of Bonds. The Bonds shall be signed by the manual or facsimile signatures of the President of the Board of Education and countersigned by the manual or facsimile signature of the Clerk or Secretary of the Board of Education. Each Bond shall be authenticated by a manual signature of a duly authorized officer of the Paying Agent. Only such of the Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Exhibit A, executed by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Paying Agent Agreement, and such certificate of the Paying Agent shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Paying Agent Agreement.

Section 2.05. Book-Entry System. (a) The Bonds shall be initially issued and registered as provided in Section 2.03(b) hereof. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this Section (a "substitute depository"); provided, that any successor of Cede & Co., as nominee of The Depository Trust Company or substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any substitute depository not objected to by the Director of Finance, upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the Director of Finance to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or substitute depository or its successor) from its functions as depository, or (2) a determination by the Director of Finance to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the outstanding Bonds by the Paying Agent, together with a Written Request of the District, a new Bond for each maturity shall be executed and delivered pursuant to the procedures described in Section 2.06 hereof in the aggregate principal amount of the Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Written Request of the District. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the outstanding Bonds by the Paying Agent together with a Written Request of the District, new Bonds shall be executed and delivered in such denominations numbered in the manner determined by the Paying Agent and registered in the names of such persons as are requested in such Written Request of the District, subject to the limitations of Section 2.02 and the receipt of such a Written Request of the District, and thereafter, the Bonds shall be transferred pursuant to the provisions set forth in Section 2.06 of this Paying Agent Agreement; provided, that the Paying Agent shall not be required to deliver such new Bonds within a period of fewer than 60 days.

(c) The Director of Finance, the District and the Paying Agent shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof, notwithstanding any notice to the contrary received by the Director of Finance, the District or the Paying Agent, and the Director of Finance, the District and the Paying Agent shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the Director of Finance, the District nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except as the owner of any Bonds.

(d) So long as the outstanding Bonds are registered in the name of Cede & Co. or its registered assigns, the Director of Finance, the District and the Paying Agent shall cooperate with Cede & Co., as sole Owner, or its registered assigns, in effecting payment of the principal of and interest on the Bonds by arranging for payment in such manner that funds for

such payments are properly identified and are made immediately available (e.g., by wire transfer) on the date they are due.

Section 2.06. Transfer of Bonds upon Termination of Book-Entry System. In the event that at any time the Bonds shall no longer be registered in the name of Cede & Co. as a result of the operation of Section 2.05 hereof, then the procedures contained in this Section 2.06 shall apply.

Any Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.08 hereof by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Bond or Bonds shall be surrendered for transfer, the designated District officials shall execute (as provided in Section 2.04 hereof) and the Paying Agent shall authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount and bearing the same rate or rates of interest. The Paying Agent shall require the payment by the Bondowner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer of Bonds shall be required to be made by the Paying Agent during the period from the close of business on the Record Date next preceding any Interest Payment Date or redemption date to and including such Interest Payment Date or redemption date.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the office of the Paying Agent in Sacramento, California, or such other place as the Paying Agent shall designate, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate. The Paying Agent shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of Bonds shall be required to be made by the Paying Agent during the period from the close of business on the Record Date next preceding any Interest Payment Date or redemption date to and including such Interest Payment Date or redemption date.

Section 2.08. Bond Register. (a) The Paying Agent will keep or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Director of Finance and the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

(b) The Paying Agent shall assign each Bond authenticated and registered by it a distinctive letter or number, or letter and number.

ARTICLE III

ISSUANCE OF THE BONDS

Section 3.01. Delivery of Bonds. The Paying Agent is hereby authorized to authenticate and deliver the Bonds to or upon the Written Request of the District.

Section 3.02. Application of Proceeds of Sale of Bonds. Upon the delivery of the 2017 Series E Bonds to the initial purchaser thereof, and the payment by the initial purchaser of the purchase price of the 2017 Series E Bonds by wire transfer of \$[_____] to the Paying Agent on behalf of the District, the Director of Finance shall deposit such sum received for the balance of the purchase price as follows: (i) \$[_____] in the building fund of the District within the County Treasury, and (ii) \$[_____] in the Interest and Sinking Fund of the District. The Costs of Issuance Custodian shall deposit and administer the sum received for costs of issuance pursuant to a Costs of Issuance Custodian Agreement.

Upon the delivery of the 2017 Series C Bonds to the initial purchaser thereof, and the payment by the initial purchaser of the purchase price of the 2017 Series C Bonds by wire transfer of \$[_____] to the Paying Agent on behalf of the District, the Director of Finance shall deposit such sum received for the balance of the purchase price as follows: (i) \$[_____] in the building fund of the District within the County Treasury, and (ii) \$[_____] in the Interest and Sinking Fund of the District. The Costs of Issuance Custodian shall deposit and administer the sum received for costs of issuance pursuant to a Costs of Issuance Custodian Agreement.

The District shall cause the Director of Finance to create and maintain any accounts or subaccounts for deposit of the proceeds of the Bonds as the District shall determine is necessary in order to separately monitor the investment and expenditure of such funds in order to comply with the laws applicable to each, and as may be necessary to make any needed calculations of arbitrage and rebate thereon.

The County makes no assurance regarding the application of the proceeds of the Bonds by the District.

Section 3.03. Investment of Funds. (a) All funds held by the Director of Finance with respect to the Bonds hereunder or under the Law shall be invested at the Director of Finance's discretion pursuant to law and the investment policy of the County.

(b) At the written direction of the District, all or any portion of the building fund of the District may also be invested on behalf of the District in the Local Agency Investment Fund in the treasury of the State.

(c) At the written direction of the District, all or any portion of the building fund of the District may also be invested on behalf of the District in investment agreements which comply with the requirements of each rating agency then rating the Bonds necessary in order to maintain the then-current rating on the Bonds; provided that the Director of Finance shall approve and be a signatory to any such investment agreement.

ARTICLE IV

REDEMPTION OF THE BONDS

Section 4.01. Terms of Redemption. (a) Optional Redemption. The Bonds maturing on or before August 1, 20___, are not subject to redemption prior to their respective stated maturity dates. The Bonds maturing on and after August 1, 20___, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20___, at a redemption price equal to the principal amount called for redemption plus accrued interest thereon to the date fixed for redemption, without premium.

(b) Mandatory Sinking Fund Redemption. The \$[_____] Term Bond maturing on August 1, 20___, is also subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
_____	_____

The principal amount to be redeemed in each year shown in the table above will be reduced proportionately, in integral multiples of \$5,000, by the amount of such Term Bond optionally redeemed prior to the mandatory sinking fund redemption date.

(c) Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, such bonds shall be redeemed as directed by the District, and if not so directed, in inverse order of maturities, and if less than all of the Bonds of any given maturity are called for redemption, the portions of such bonds of a given maturity to be redeemed shall be redeemed as directed by the District, and if not so directed, shall be determined by lot. For purposes of such selection, each Bond shall be deemed to consist of individual Bonds of denominations of \$5,000 principal amount each, which may be separately redeemed.

Section 4.02. Notice of Redemption. (a) Notice of redemption of the Bonds will be mailed postage prepaid not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the respective Owners of Bonds at the addresses appearing on the bond registration books of the Paying Agent, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate.

Each notice of redemption shall contain all of the following information: (i) the date of such notice; (ii) the name of the affected Bonds and the date of issue of the Bonds; (iii)

the redemption date; (iv) the redemption price, if available; (v) the dates of maturity of the Bonds to be redeemed; (vi) if less than all of the Bonds are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed; (vii) in the case of Bonds redeemed in part only, the respective maturities or portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the Owners at the office of the Paying Agent in Sacramento, California, or at such other place or places designated by the Paying Agent; and (x) notice that further interest on such Bonds will not accrue after the designed redemption date.

The actual receipt by any Owner of any Bond of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds.

When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of the redemption price, if any, is set aside for such purpose, the Bonds designated for redemption 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, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor.

(b) Rescission of Notice of Redemption. The District may rescind any redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

(c) Conditional Notice. Any notice of optional redemption delivered hereunder may be conditioned on any fact or circumstance stated therein, and if such condition shall not have been satisfied on or prior to the redemption date stated in such notice, said notice shall be of no force and effect on and as of the stated redemption date, the redemption shall be cancelled, and the District shall not be required to redeem the Bonds that were the subject of the notice. The Paying Agent shall give notice of such cancellation and the reason therefor in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

Section 4.03. Defeasance of Bonds. The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund, be fully sufficient in the opinion of a certified public accountant licensed to

practice in the State to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If at any time the District pays or causes to be paid or there is otherwise paid to the owners of any or all outstanding Bonds all of the principal, interest and premium, if any, represented by such Bonds when due, or as described above, or as otherwise provided by law, then such Owners shall cease to be entitled to the obligation of the County to levy and collect taxes to pay the Bonds as described in Section 5.01 hereof, and such obligation and all agreements and covenants of the District to such Owners hereunder shall thereupon be satisfied and discharged and shall terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by such Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment, provided, that the unclaimed moneys provisions described in Section 6.07 hereof will apply in all events.

ARTICLE V

OTHER COVENANTS

Section 5.01. Payment of Principal and Interest. On or prior to the date any payment is due in respect of the Bonds, the Director of Finance will deposit with the Paying Agent moneys sufficient to pay the principal and the interest (and premium, if any) to become due in respect of all Bonds outstanding on such Interest Payment Date, but only as required by the Law. When and as paid in full and following surrender thereof to the Paying Agent, all Bonds shall be cancelled by the Paying Agent, and thereafter they shall be destroyed. Moneys for the payment of principal, redemption premium, if any, and interest with respect to the Bonds shall be raised by taxation upon all taxable property in the District and the County shall provide for the levy and collection of such taxes in the manner provided by the Law.

Section 5.02. Further Assurances. The District and the County will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondowners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Paying Agent Agreement.

Section 5.03. Tax Covenants. (a) The District shall not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would adversely affect the exclusion from gross income of the interest payable on Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the District shall comply with the instructions and requirements of each Tax Certificate. This covenant shall survive payment in full of the Bonds.

(b) In the event that at any time the District is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Director of Finance with respect to the Bonds, or by the Paying Agent under this Paying Agent Agreement, the District shall so instruct the Director of Finance or the Paying

Agent, as appropriate, in writing, and the Director of Finance and the Paying Agent shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the District shall provide to the Director of Finance or the Paying Agent an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required in order to maintain the exclusion from federal income tax of interest on Bonds under Section 103 of the Code, the Director of Finance and the Paying Agent may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

Section 5.04. Continuing Disclosure. The District hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Paying Agent Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided that any Owner or Beneficial Owner (as defined below) 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 Section. For purposes of this Section, "Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Section 5.05. Validity of Bonds. The recital contained in the Bonds that the same are regularly issued pursuant to the Law and that the total amount of indebtedness of the District, including the amount of the Bonds, is within the limit provided by law, shall be conclusive evidence of their validity and of compliance with the provisions of the Law in their issuance.

ARTICLE VI

THE PAYING AGENT

Section 6.01. Duties and Liabilities of Paying Agent. (a) The Paying Agent shall be the paying agent, registrar and transfer agent for the Bonds and shall perform such functions in accordance with the provisions hereof. The Paying Agent shall perform such duties and only such duties as are expressly and specifically set forth in this Paying Agent Agreement.

(b) The District may, by an instrument in writing, remove the Paying Agent initially a party hereto and any successor thereto, and shall remove the Paying Agent initially a party hereto and any successor thereto if at any time (i) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate Principal Amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (ii) the Paying Agent shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Paying Agent or its property shall be appointed, or any public officer shall take control or charge of the Paying Agent or of its property or affairs for the purpose of rehabilitation,

conservation or liquidation, in each case by giving written notice of such removal to the Paying Agent and thereupon shall appoint a successor Paying Agent by an instrument in writing.

(c) The Paying Agent may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the District, and to the Owners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing.

(d) Any removal or resignation of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent; provided, however, that under any circumstances the successor Paying Agent shall be qualified as provided in subsection (e) of this Section. If no qualified successor Paying Agent shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Paying Agent or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Paying Agent, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Paying Agent. Any successor Paying Agent appointed under this Paying Agent Agreement shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Paying Agent a written acceptance thereof, and thereupon such successor Paying Agent, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Paying Agent, with like effect as if originally named Paying Agent herein; but, nevertheless at the written request of the District or the successor Paying Agent, such predecessor Paying Agent shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Paying Agent all the right, title and interest of such predecessor Paying Agent in and to any property held by it under this Paying Agent Agreement and shall pay over, transfer, assign and deliver to the successor Paying Agent any money or other property subject to the conditions herein set forth. Upon acceptance of appointment by a successor Paying Agent as provided in this subsection, the District shall mail or cause the successor Paying Agent to mail, by first class mail postage prepaid, a notice of the succession of such Paying Agent hereunder to the Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within 15 days after acceptance of appointment by the successor Paying Agent, the successor Paying Agent shall cause such notice to be mailed at the expense of the District.

(e) The Paying Agent, if not the Director of Finance, shall be a bank, national banking association or trust company having trust powers incorporated or organized under the laws of the United States of America or any state thereof, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$75,000,000, in good standing and subject to supervision or examination by federal or state agency. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national

banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

In case at any time the Paying Agent shall cease to be eligible in accordance with the provisions of this subsection (e), the Paying Agent shall resign immediately in the manner and with the effect specified in this Section.

Section 6.02. Merger or Consolidation. Any bank, national banking association or trust company into which a successor Paying Agent may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or trust company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under Section 6.01(e) shall be the successor to such Paying Agent, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 6.03. Liability of Paying Agent. (a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the District, and the Paying Agent shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Paying Agent Agreement or of the Bonds or shall incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Paying Agent shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Paying Agent makes no representations as to the validity or sufficiency of this Paying Agent Agreement or of any Bonds, or in respect of the security afforded by this Paying Agent Agreement and the Paying Agent shall incur no responsibility in respect thereof. The Paying Agent shall be under no responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Paying Agent, or (iii) the application of any moneys paid to the District or others in accordance with this Paying Agent Agreement except as the application of any moneys paid to it in its capacity as Paying Agent. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Paying Agent shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Paying Agent Agreement. The Paying Agent and its officers and employees may become the Owner of Bonds with the same rights it would have if it were not Paying Agent, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in aggregate Principal Amount of the Bonds then Outstanding.

(b) The Paying Agent shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Paying Agent was negligent in ascertaining the pertinent facts.

(c) No provision of this Paying Agent Agreement shall require the Paying Agent to risk or expend its own funds in the performance of its rights and duties hereunder.

(d) The immunities and protections extended to the Paying Agent also extend to its directors, officers, employees and agents.

(e) The Paying Agent may execute any of its powers or duties hereunder through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with due care.

Section 6.04. Right to Rely on Documents. The Paying Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith; provided, however, the Paying Agent shall in no event delay any payment with respect to the Bonds in anticipation of any such opinion.

Whenever in the administration of the duties imposed upon it by this Paying Agent Agreement the Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the District, and such Written Certificate shall be full warrant to the Paying Agent for any action taken or suffered in good faith under the provisions of this Paying Agent Agreement in reliance upon such Written Certificate, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 6.05. Accounting Records and Reports; Preservation and Inspection of Documents. The Paying Agent shall keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of all money on deposit in the accounts and funds established hereunder, which such books shall be available for inspection by the District at reasonable hours and under reasonable conditions.

All documents received by the Paying Agent under the provisions of this Paying Agent Agreement shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the District, the Owners and their agents and representatives duly authorized in writing.

Section 6.06. Compensation and Indemnification. The District shall pay to the Paying Agent from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under this Paying Agent Agreement, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Paying

Agent Agreement. The District further agrees, to the extent permitted by law, to indemnify, defend and save the Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or its willful misconduct. The duty of the District to indemnify and compensate the Paying Agent shall survive the termination and discharge of this Paying Agent Agreement and the resignation or removal of the Paying Agent.

Section 6.07. Unclaimed Moneys. Any money held in any fund created pursuant to this Paying Agent Agreement or by the Paying Agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether by maturity or upon prior redemption) will be transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys will be transferred to the general fund of the District as provided and permitted by law.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Counterparts. This Paying Agent Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

Section 7.02. Notices. Unless otherwise specified herein, all notices, statements, orders, requests or other communications hereunder by any party to another shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, return receipt requested, postage prepaid, or if given by fax, electronically, or other means of written communication and confirmed by mail:

If to the District	Sacramento City Unified School District 5735 47 th Avenue Sacramento, CA 95824 Attn: Chief Business Officer
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If to the Paying Agent:	County of Sacramento 700 H Street, Suite 1710 Sacramento, CA 95814 Attn: Director of Finance
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IN WITNESS WHEREOF, the parties hereto have caused this Paying Agent Agreement to be duly executed by their officers duly authorized as of the date first written above.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____
Chief Business Officer

COUNTY OF SACRAMENTO, as Paying Agent

By: _____
Director of Finance

EXHIBIT A

[FORM OF BONDS]

Number	UNITED STATES OF AMERICA	Amount
R-_____	STATE OF CALIFORNIA	\$_____
	COUNTY OF SACRAMENTO	

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS,
ELECTION OF 2012 [MEASURE Q][MEASURE R], 2017 SERIES [E][C]

Dated as of	Interest Rate	Maturity Date	CUSIP NO.
_____, 2017	_____%	_____, 20__	

Registered Owner: CEDE & CO.

Principal Sum: _____ DOLLARS

Sacramento City Unified School District, County of Sacramento, State of California (herein called the “District”), acknowledges itself obligated to and promises to cause to be paid to the registered owner identified above or registered assigns, but only from taxes collected by the County of Sacramento (the “County”) for such purpose pursuant to Section 15250 of the Education Code of the State of California, on the maturity date set forth above or upon redemption prior thereto, the principal sum specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money at the interest rate per annum stated above, computed on the basis of a 360-day year of twelve 30-day months, payable on February 1 and August 1 in each year, commencing August 1, 2017, until payment of said principal sum [on May 1, 2047]. If this bond is authenticated and registered on any date prior to the close of business on July 15, 2017, it shall bear interest from the date hereof. If authenticated during the period between any Record Date (defined as the 15th day of the month preceding an interest payment date) and the close of business on its corresponding interest payment date, it shall bear interest from such interest payment date. Otherwise, this bond shall bear interest from the interest payment date immediately preceding the date of its authentication.

The principal hereof is payable to the registered owner hereof upon the surrender hereof at the office of the Director of Finance of the County (herein called the “Paying Agent”), the paying agent/registrar and transfer agent of the District, in Sacramento, California. The interest hereon is payable to the person whose name appears on the bond registration books of the Paying Agent as the registered owner hereof as of the close of business on the Record Date preceding each interest payment date, whether or not such day is a business day, such interest to be paid by check mailed to such registered owner at the owner’s address as it appears on such registration books, or at such other address filed with the Paying Agent for that purpose. Upon written request, given no later than the Record Date immediately preceding an interest payment date, of the owner of Bonds (hereinafter defined) aggregating at least \$1,000,000 in principal amount, interest will be paid by wire transfer to an account maintained in the United States as specified by the owner in such request. So long as Cede & Co. or its registered assigns shall be

the registered owner of this bond, payment shall be made by wire transfer as provided in the Paying Agent Agreement hereinafter described.

This bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying series, numbers, denominations, interest payment modes, interest rates, maturities and redemption provisions), amounting in the aggregate to \$_____, and designated as “Sacramento City Unified School District General Obligation Bonds, Election of 2012 [(Measure Q)][(Measure R)], 2017 Series [E][C]” (the “Bonds”). The Bonds were authorized by a vote of at least 55% of the voters voting at an election duly and legally called, held and conducted in the District on November 6, 2012. The Bonds are issued and sold by the Board of Education of the District pursuant to and in strict conformity with the provisions of the Constitution and laws of the State of California, and the Paying Agent Agreement, dated as of May 1, 2017 (the “Paying Agent Agreement”), by and between the District and the Paying Agent. Reference is hereby made to the Paying Agent Agreement and any and all amendments thereof for a description of the terms on which the Bonds are issued, for the rights of the Owners of the Bonds, for the provisions for payment of the Bonds, and for the amendment of the Paying Agent Agreement (with or without consent of the Owners of the Bonds); and all the terms of the Paying Agent Agreement are hereby incorporated herein and constitute a contract between the District and the Registered Owner of this Bond, to all the provisions of which the Registered Owner of this Bond, by acceptance hereof, agrees and consents. Capitalized undefined terms used herein have the meanings ascribed thereto in the Paying Agent Agreement.

The Bonds are issuable as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof, provided that no Bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Paying Agent Agreement, Bonds may be exchanged for a like aggregate principal amount of Bonds of the same series, maturity, interest payment mode and interest rate of other authorized denominations.

This bond is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at said designated office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Paying Agent Agreement, and upon surrender and cancellation of this bond. Upon such transfer, a new Bond or Bonds of authorized denomination or denominations for the same series, maturity, interest payment mode and interest rate, and same aggregate principal amount will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Bonds are subject to optional and mandatory sinking fund redemption on the terms and subject to the conditions specified in the Paying Agent Agreement, and as shown in the attached Redemption Schedule. If this bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Board of Education of the District hereby certifies and declares that the total amount of indebtedness of the District, including the amount of this bond, is within the limit provided by law; that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this bond have been done and performed in strict conformity with the laws authorizing the issuance of this bond; and that this bond is in substantially the form prescribed by order of the Board of Education of the District duly made and entered on its minutes. The Bonds represent an obligation of the District payable out of the interest and sinking fund of the District, and the money for the payment of principal of and interest on this bond shall be raised by taxation upon the taxable property of the District.

This bond shall not be entitled to any benefit under the Paying Agent Agreement, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the Board of Education of the Sacramento City Unified School District has caused this SACRAMENTO CITY UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BOND, ELECTION OF 2012 [(MEASURE Q)][(MEASURE R)], 2017 SERIES [E][C] to be executed by the manual or facsimile signature of its President and to be countersigned by the manual or facsimile signature of its Clerk or Secretary of said Board, as of the date set forth above.

President of the Board of Education of the
Sacramento City Unified School District

Countersigned:

Secretary of the Board of Education of the
Sacramento City Unified School District

PAYING AGENT'S CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This is one of the current interest SACRAMENTO CITY UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, ELECTION OF 2012 [(MEASURE Q)][(MEASURE R)], 2017 SERIES [E][C], described in the within-mentioned Paying Agent Agreement and authenticated and registered on _____, 2017.

COUNTY OF SACRAMENTO, CALIFORNIA, as
Paying Agent/Registrar and Transfer Agent

By _____
Director of Finance

DTC LEGEND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent/Registrar and Transfer Agent with full power of substitution in the premises.

I.D. Number

NOTE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Registered Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guarantee: _____

Notice: Signature must be guaranteed by an eligible guarantor institution.

REDEMPTION SCHEDULE

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

Mandatory Sinking Fund Redemption. The \$_____ Term Bonds maturing on August 1, 20__, are also subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

<u>Mandatory Sinking Fund Redemption Date</u>	<u>Principal Amount to be Redeemed</u>
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*

* Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, in integral multiples of \$5,000, by any portion of the term bond optionally redeemed prior to the mandatory sinking fund redemption date.

PRELIMINARY OFFICIAL STATEMENT DATED [_____] , 2017

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: “_”
Fitch: “_”

(See “MISCELLANEOUS—Ratings” herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”

**\$112,000,000***

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
General Obligation Bonds
Election of 2012 (Measure Q), 2017 Series E

\$10,000,000*

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
General Obligation Bonds
Election of 2012 (Measure R), 2017 Series C

Dated: Date of Delivery

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Due: As shown on the inside cover

The Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2017 Series E (the “**2017 Series E Bonds**”) and the Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2017 Series C (the “**2017 Series C Bonds**”) and, together with the 2017 Series E Bonds, the “**Bonds**”) are being issued by the Sacramento City Unified School District (the “**District**”) located in the County of Sacramento (the “**County**”), pursuant to a resolution adopted by the Board of Education of the District on [April 6], 2017, and a Paying Agent Agreement, dated as of May 1, 2017, by and between the District and the County, as Paying Agent thereunder (the “**Paying Agent**”), for the purpose of providing funds to (i) finance specific construction, acquisition and modernization projects approved by the voters (as described herein), and (ii) pay the costs of issuance of the Bonds. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds, all as more fully described herein. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein.

The Bonds will be issued as current interest bonds. Interest on the Bonds is payable commencing on August 1, 2017, and each August 1 and February 1 thereafter to maturity or redemption prior thereto. Principal of the Bonds is payable in each of the years and in the amounts set forth in the Maturity Schedules on the inside cover of this Official Statement. Payments of principal of and interest on the Bonds will be made by the Paying Agent to The Depository Trust Company, New York, New York (“**DTC**”), for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Bonds. See “THE BONDS—Payment of Principal and Interest” and “APPENDIX G—BOOK-ENTRY ONLY SYSTEM” herein.

[The District has applied for municipal bond insurance and, if a commitment is issued to insure the Bonds, will decide at pricing of the Bonds whether to purchase such insurance for one of more maturities of the Bonds.]

The Bonds will be issued in book-entry form only, and initially will be issued and registered in the name of Cede & Co., as nominee of DTC. Purchasers will not receive certificates representing their interests in the Bonds. See “THE BONDS—Form and Registration” herein.

The Bonds are subject to redemption as more fully described herein. See “THE BONDS—Redemption” herein.

MATURITY SCHEDULE

See Inside Cover

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to approval of their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and by Lozano Smith, as District Counsel. Certain legal matters will be passed upon for the Underwriter by [_____]. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2017.

[_____]

* Preliminary, subject to change.

This Official Statement is dated _____, 2017.

MATURITY SCHEDULES

\$112,000,000*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
General Obligation Bonds
Election of 2012 (Measure Q), 2017 Series E

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†] (_____)</u>
-----------------	-----------------------------	--------------------------	--------------	--------------------------------------

\$10,000,000*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
General Obligation Bonds
Election of 2012 (Measure R), 2017 Series C

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†] (_____)</u>
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* Preliminary, subject to change.

† Copyright, 2017, American Bankers Association. CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau and are provided solely for the convenience of the holders of the Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Bonds as a result of various subsequent actions. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Global Market Intelligence.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COUNTY OF SACRAMENTO, CALIFORNIA**

BOARD OF EDUCATION

Jay Hansen, *President*
Jessie Ryan, *First Vice President*
Darrel Woo, *Second Vice President*
Ellen Cochrane, *Member*
Michael Minnick, *Member*
Christina Pritchett, *Member*
Mai Vang, *Member*
Natalie Rosas, *Student Member*

DISTRICT ADMINISTRATION

José L. Banda, *Superintendent*
Lisa Allen, *Deputy Superintendent*
Gerardo Castillo, CPA, *Chief Business Officer*
Cathy Allen, *Chief Operations Officer, Facilities Support Services*
Iris Taylor, Ed.D., *Chief Academic Officer*
Alex Barrios, *Chief Communications Officer*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

District's General Counsel

Lozano Smith
Sacramento, California

Underwriter's Counsel

[_____]
[_____]

Financial Advisor

Capitol Public Finance Group, LLC
Roseville, California

Paying Agent

Sacramento County Director of Finance
Sacramento, California

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds by 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 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, 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 opinion 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.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. 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 those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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

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

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

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\$112,000,000*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
General Obligation Bonds
Election of 2012 (Measure Q), 2017 Series E

\$10,000,000*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
General Obligation Bonds
Election of 2012 (Measure R), 2017 Series C

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover and appendices hereto (the “**Official Statement**”), is provided to furnish information in connection with the Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2017 Series E (the “**2017 Series E Bonds**”) and the Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2017 Series C (the “**2017 Series C Bonds**”) and, together with the 2017 Series E Bonds, the “**Bonds**”), as described more fully herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the Sacramento City Unified School District (the “**District**”), the District has no obligation to update the information in this Official Statement. See “OTHER LEGAL MATTERS—Continuing Disclosure” herein.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended 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 of any of the Bonds.

Quotations from and summaries and explanations of the Bonds, a paying agent agreement, dated as of May 1, 2017 (the “**Paying Agent Agreement**”), by and between the District and the County of Sacramento (the “**Paying Agent**”), providing for the issuance of the Bonds, and the California Constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, California Constitutional provisions and statutes for the complete provisions thereof.

Copies of documents referred to herein and information concerning the Bonds are available from the Chief Business Officer, Sacramento City Unified School District, 5735 47th Avenue, Sacramento, CA 95824. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District, located in Sacramento County, California (the “**County**”), is the 13th largest school district in the State of California (the “**State**”) as measured by student enrollment. The District provides educational services to the residents in and around the City of Sacramento (the “**City**”), the State capital. The District operates under the jurisdiction of the Superintendent of Schools of the County. See “THE BONDS—Authority for Issuance; Purpose” herein. The District’s estimated average daily attendance for fiscal year 2016-17 is 38,739 students and the District’s 2016-17 general fund expenditures are projected at approximately \$511.6 million.

The District operates 40 elementary schools for grades K-6, eight K-8 schools, six middle schools for grades 7-8, one 7-9 school, one 7-12 school, seven comprehensive high schools for grades 9-12, five alternative education centers, two special education centers, two adult education centers, 14 charter schools (including five dependent charter schools) and 44 children’s centers/preschools serving infants through age 12. The District’s estimated enrollment for fiscal year 2016-17, including charter schools in the District, is approximately 41,076 students. For fiscal year 2016-17, the District projects to employ approximately 3,622 FTE employees, which includes 2,183 certificated (credentialed teaching) employees, 1,188 FTE classified (noninstructional) employees, and 251 supervisory/other personnel.

* Preliminary, subject to change.

The District is governed by a Board of Education (the “**Board**”) consisting of seven members and one student member, who has an advisory vote. The regular members are elected to staggered four-year terms every two years, alternating between three and four available positions. Beginning in 2008, Board member elections are held among voters who reside in each of seven trustee areas. See “APPENDIX A—INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET” herein.

The day-to-day operations are managed by a Board-appointed Superintendent of Schools. José L. Banda was appointed Superintendent of the District on July 17, 2014. Prior to his appointment, Mr. Banda served for two years as Superintendent of Seattle Public Schools, Washington state’s largest K-12 district, four years as Superintendent of the 20,000-student Anaheim City School District, three years as Superintendent of the Planada School District, and thirteen years as a secondary administrator, including eight years as a high school principal. Mr. Banda has over 30 years of experience in the field of education and holds a Bachelor of Arts from California State University in Bakersfield and a master’s in Educational Leadership from Chapman University.

Gerardo Castillo, CPA, began his term as the Interim Chief Business Officer on August 16, 2014 and became Chief Business Officer on March 1, 2015. Prior to becoming Interim Chief Business Officer, Mr. Castillo served as Director of Finance of the District for seven years. Mr. Castillo holds a CBO certificate and has over 17 years of work experience in finance, including 13 years in the field of school district finance.

For additional information about the District’s operations and finances, see “APPENDIX A—INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET” herein.

THE BONDS

Authority for Issuance; Purpose

The Bonds are issued pursuant to the Constitution and laws of the State, including Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and other applicable provisions of law, including applicable provisions of the Education Code, the Paying Agent Agreement and a resolution adopted by the Board on [April 6], 2017 (the “**Resolution**”).

The 2017 Series E Bonds were authorized to be issued at an election held on November 6, 2012, by 55% or more of the votes cast by eligible voters within the District for a bond measure known locally as “Measure Q”. Measure Q authorizes the District to issue bonds in an aggregate principal amount not to exceed \$346,000,000 for purposes summarized as follows: “To better prepare students for college and careers by upgrading classrooms, science labs, computer systems and technology; renovating heating and ventilation systems; reducing costs through energy efficiency; improving student safety and security systems; repairing roofs, floors, walkways, bathrooms, electrical, plumbing and sewer systems...” The 2017 Series E Bonds are the sixth series to be issued pursuant to the Measure Q authorization. After the issuance of the 2017 Series E Bonds, \$ _____* will remain to be issued by the District pursuant to the Measure Q authorization.

The 2017 Series C Bonds were authorized to be issued at an election held on November 6, 2012, by 55% or more of the votes cast by eligible voters within the District for a bond measure known locally as “Measure R”. Measure R authorizes the District to issue bonds in an aggregate principal amount not to exceed \$68,000,000 for purposes summarized as follows: “To improve the health and safety of children, repair playgrounds and playfields to meet modern safety standards, improve physical education facilities and bathrooms, improve irrigation systems and water drainage to reduce water consumption, remove asbestos, lead paint and other unsafe conditions and to upgrade kitchen facilities to improve nutrition and nutritional education for children...” The 2017 Series C Bonds are the [third] series to be issued pursuant to the Measure R authorization. After the issuance of the 2017 Series C Bonds, \$ _____* will remain to be issued by the District pursuant to the Measure R authorization.

As required by the Education Code of the State and the Measure Q and Measure R authorizations, the District established a Citizens’ Oversight Committee to review the District’s expenditure of bond proceeds and its

* Preliminary, subject to change.

progress in completing the projects specified in the measure, and to make periodic reports to the public in order to ensure that bond funds are spent only for authorized purposes.

The 2017 Series E Bonds are being issued to (i) finance specific construction, acquisition and modernization projects approved by the voters in the Measure Q election held on November 6, 2012, and (ii) pay costs of issuance of the 2017 Series E Bonds. The 2017 Series C Bonds are being issued to (i) finance specific construction, acquisition and modernization projects approved by the voters in the Measure R election held on November 6, 2012, and (ii) pay costs of issuance of the 2017 Series C Bonds. See “Application and Investment of Bond Proceeds” herein.

Form and Registration

The Bonds will be issued in fully registered book-entry form only, as current interest bonds without coupons, in denominations of \$5,000 principal amount each or any integral multiple thereof. The Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”), New York, New York. DTC will act as securities depository for the Bonds. Registered ownership of the Bonds may not be transferred except as described in APPENDIX G. Purchases of Bonds under the DTC system must be made by or through a DTC participant, and ownership interests in Bonds or any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, beneficial owners will not receive physical certificates representing their ownership interests. See “APPENDIX G—BOOK-ENTRY ONLY SYSTEM” herein.

Payment of Principal and Interest

The Bonds will be dated the date of their delivery and bear interest at the rates set forth on the inside cover page hereof, payable on February 1 and August 1 of each year, commencing on August 1, 2017 (each, an “**Interest Payment Date**”), until payment of the principal amount thereof, computed using a year of 360 days consisting of twelve 30-day months. Bonds authenticated and registered on any date prior to the close of business on January 15, 2018, will bear interest from the date of their delivery. Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date (the “**Record Date**”) and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Payment of interest on any Bond on each Interest Payment Date (or on the following business day, if the Interest Payment Date does not fall on a business day) will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof as of the preceding Record Date, such interest to be paid by check or draft mailed to such owner at such owner’s address as it appears on such registration books or at such other address as the owner may have filed with the Paying Agent for that purpose on or before the Record Date. The owner of an aggregate principal amount of \$1,000,000 or more of Bonds may request in writing to the Paying Agent that such owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the applicable Record Date.

Principal will be payable at maturity, as set forth on the inside cover page, or upon redemption prior to maturity, upon surrender of Bonds at such office of the Paying Agent as the Paying Agent will designate. The interest, principal and premiums, if any, on the Bonds will be payable in lawful money of the United States of America from moneys on deposit in the interest and sinking fund of the District (the “**Interest and Sinking Fund**”) within the County Treasury, consisting of *ad valorem* property taxes collected and held by the Director of Finance of the County (the “**Director of Finance**”), together with any net premium and accrued interest received upon issuance of the Bonds.

So long as all outstanding Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of principal of, premium, if any, and interest on the Bonds and all notices with respect to such Bonds will be made and given, respectively, to such securities depository or its nominee and not

to beneficial owners. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer.

Redemption*

Optional Redemption of Bonds. The Bonds maturing on or before August 1, 2027, are not subject to redemption prior to their respective stated maturity dates. The Bonds maturing on and after August 1, 2028, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after August 1, 2027. The Bonds will be redeemed at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The \$_____ Term Bond maturing on August 1, 20___, is also subject to mandatory sinking fund redemption on each mandatory sinking fund redemption date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to Be Redeemed
	\$

*Maturity.

The principal amount to be redeemed in each year shown in the table above will be reduced proportionately, at the option of the District, in integral multiples of \$5,000, by the amount of such Term Bond optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, such bonds shall be redeemed as directed by the District, and if not so directed, in inverse order of maturities, and if less than all of the Bonds of any given maturity are called for redemption, the portions of such bonds of a given maturity to be redeemed shall be redeemed as directed by the District, and if not so directed, shall be determined by lot.

Notwithstanding anything herein to the contrary, so long as Cede & Co., as the nominee of DTC, or any substitute depository for the Bonds is the registered owner to the Bonds, the selection of Bonds held by beneficial owners in book-entry form for redemption will be made by DTC or such substitute depository for the Bonds pursuant to the procedures of DTC or the substitute depository for the Bonds. The procedures of DTC or the substitute Depository for the Bonds may not be consistent with the procedures outlined above. See “APPENDIX G—BOOK-ENTRY ONLY SYSTEM.”

Notice of Redemption. Notice of redemption of any Bond is required to be given by the Paying Agent, upon written request of the District, not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the respective owners of any Bond designated for redemption at their addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate. See “APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

* Preliminary, subject to change.

Each notice of redemption is required to contain the following information: (i) the date of such notice; (ii) the name of the affected Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price (if available); (v) the dates of maturity of the Bonds to be redeemed; (vi) if less than all of the then outstanding Bonds are to be called for redemption, the distinctive serial numbers of the Bonds of each maturity to be redeemed; (vii) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the owners at such office of the Paying Agent designated by the Paying Agent; and (x) notice that further interest on such Bonds will not accrue after the redemption date. A certificate of the Paying Agent or the District that notice of call and redemption has been given to owners and to the appropriate securities depositories as provided in the Paying Agent Agreement will be conclusive against all parties. The actual receipt by the owner of any Bond or by any securities depository of notice of redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as provided for in the Paying Agent Agreement, and when the redemption price of the Bonds called for redemption is set aside for the purpose as described in the Paying Agent Agreement, the Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The owners of such Bonds called for redemption after such redemption date will look for the payment of such Bonds and the redemption premium thereon, if any, only to moneys on deposit for such purpose in the Interest and Sinking Fund of the District or the escrow fund established for such purpose. All Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Conditional Notice. Any notice of optional redemption may be conditioned on any fact or circumstance stated therein, and if such condition will not have been satisfied on or prior to the redemption date stated in such notice, said notice will be of no force and effect on and as of the stated redemption date, the redemption will be cancelled, and the District will not be required to redeem the Bonds that were the subject of the notice. The Paying Agent will give notice of such cancellation and the reason therefor in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such cancellation will not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice will not affect the validity of the cancellation.

Defeasance of Bonds

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest accrued thereon and available moneys then on deposit in the Interest and Sinking Fund, be fully sufficient in the opinion of a certified public accountant licensed to practice in the State to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If at any time the District pays or causes to be paid or there is otherwise paid to the Owners of any or all outstanding Bonds all of the principal, interest and premium, if any, represented by Bonds when due, or as described above, or as otherwise provided by law, then such Owners will cease to be entitled to the obligation of the County to levy and collect taxes to pay the Bonds and such obligation and all agreements and covenants of the District to such Owners under the Paying Agent Agreement will thereupon be satisfied and discharged and will terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by such Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment, provided that the unclaimed moneys provisions described below will apply in all events.

Unclaimed Moneys

Any money held in any fund created pursuant to the Paying Agent Agreement or by the Paying Agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether by maturity or upon prior redemption) will be transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Bond Proceeds

The proceeds of sale of the Bonds, exclusive of any premium and accrued interest received, will be deposited in the County Treasury to the credit of the Building Fund of the District. Any premium and accrued interest will be deposited upon receipt in the Interest and Sinking Fund of the District within the County Treasury.

All funds held by the Director of Finance with respect to the Bonds hereunder or under the law will be invested at the discretion of the Director of Finance pursuant to law and the investment policy of the County. At the written direction of the District, all or any portion of the Building Fund may also be invested on behalf of the District in the Local Agency Investment Fund in the treasury of the State.

The District will not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would adversely affect the exclusion from gross income of the interest payable on the Bonds under Section 103 of the Internal Revenue Code of 1986 (the "Code").

In the event that at any time the District is of the opinion that it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Director of Finance with respect to the Bonds, or by the Paying Agent under the Paying Agent Agreement, the District will so instruct the Director of Finance or the Paying Agent, as appropriate, in writing, and the Director of Finance and the Paying Agent will take such action as may be necessary in accordance with such instructions.

If the District provides to the Director of Finance or the Paying Agent an opinion of Bond Counsel that any specified action required under the Paying Agent Agreement is no longer required or that some further or different action is required in order to maintain the exclusion from federal income tax of interest on Bonds under Section 103 of the Code, the Director of Finance and the Paying Agent may conclusively rely on such opinion in complying with the requirements of the Paying Agent Agreement, and the covenants thereunder will be deemed to be modified to that extent.

Earnings on the investment of moneys in either fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Building Fund may only be applied for the purposes for which the Bonds were approved. Moneys in the Interest and Sinking Fund may only be applied to make payments of interest, principal, and premium, if any, on bonds of the District. For information on the County's investment policy, see "APPENDIX F—COUNTY OF SACRAMENTO INVESTMENT POLICIES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT."

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ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
[Net] Reoffering [Premium/Discount] _____
Total Sources:

Uses of Funds

Deposit to Building Fund
Deposit to Interest and Sinking Fund
Underwriter’s Discount
Costs of Issuance⁽¹⁾ _____
Total Uses:

⁽¹⁾ Includes bond counsel fees, disclosure counsel fees, rating agency fees, paying agent fees, financial advisor fees, costs of issuance custodian fees, bond insurance premium, if any, printing fees and other miscellaneous expenses.

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SCHEDULED DEBT SERVICE

The District's semi-annual debt service payments for the Bonds (without regard to optional redemption) are summarized in the table below.

Payment Date	2017 Series E Bonds		2017 Series C Bonds		Total Semi-Annual Debt Service	Total Annual Debt Service
	Principal	Interest	Principal	Interest		
8/1/2017						
2/1/2018						
8/1/2018						
2/1/2019						
8/1/2019						
2/1/2020						
8/1/2020						
2/1/2021						
8/1/2021						
2/1/2022						
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2/1/2035						
8/1/2035						
2/1/2036						
8/1/2036						
2/1/2037						
8/1/2037						
2/1/2038						
8/1/2038						
2/1/2039						
8/1/2039						

Payment Date	2017 Series E Bonds		2017 Series C Bonds		Total Semi-Annual Debt Service	Total Annual Debt Service
	Principal	Interest	Principal	Interest		
2/1/2040						
8/1/2040						
2/1/2041						
8/1/2041						
2/1/2042						
8/1/2042						
2/1/2043						
8/1/2043						
2/1/2044						
8/1/2044						
2/1/2045						
8/1/2045						
2/1/2046						
8/1/2046						
2/1/2047						
5/1/2047						

Combined Debt Service

The District has previously issued its General Obligation Bonds, Election of 2002, Series 2007; its General Obligation Bonds (Measures Q and R), (Election of 2012), 2013 Series A; its General Obligation Bonds (Measures Q and R), (Election of 2012), 2013 Series B (Qualified School Construction Bonds) (Taxable); its General Obligation Bonds (Measure Q), (Election of 2012), 2015 Series C-1 (Tax-Exempt); its General Obligation Bonds (Measure Q), (Election of 2012), 2015 Series C-2 (Taxable); and its General Obligation Bonds, Election of 2012 (Measure Q), 2016 Series D. In addition, refunding bonds were issued in 2011, 2012, 2014 and 2015 which were used to refinance or redeem certain prior outstanding bonds. See “APPENDIX A—INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET—THE DISTRICT—District Debt Structure.” Prior to the issuance of the Bonds, annual debt service obligations for all outstanding bonds of the District (without regard to optional redemption prior to maturity) will be as follows:

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Total Annual Debt Service
Outstanding General Obligation Bonds

Period Ending ⁽¹⁾	General Obligation Bonds Election of 2002, Series 2007 ⁽²⁾	General Obligation Bonds (Measures Q and R) Election of 2012, 2013 Series A ⁽³⁾⁽⁴⁾	General Obligation Bonds (Measures Q and R) Election of 2012, 2013 Series B ⁽³⁾⁽⁵⁾	2011 General Obligation Refunding Bonds ⁽²⁾	2012 General Obligation Refunding Bonds ⁽²⁾	2014 General Obligation Refunding Bonds ⁽²⁾	2015 General Obligation Refunding Bonds ⁽²⁾	General Obligation Bonds (Measure Q) Election of 2012, 2015 Series C ⁽³⁾	General Obligation Bonds Election of 2012 (Measure Q), 2016 Series D ⁽³⁾	General Obligation Bonds Election of 2012 (Measure Q), 2017 Series E	General Obligation Bonds Election of 2012 (Measure R), 2017 Series C	Total Annual Debt Service ⁽⁶⁾
2017	\$2,399,250	\$965,488	\$3,926,667	\$7,274,125	\$9,685,463	\$4,213,800	\$1,628,750	\$14,574,595	\$1,122,885			\$45,791,023
2018	-	969,838	3,926,667	7,266,375	9,908,663	4,380,800	3,913,750	4,686,200	1,022,700			36,074,993
2019	-	968,738	3,926,667	7,266,875	10,364,663	4,552,600	3,979,500	4,686,300	810,600			36,555,943
2020	-	967,338	3,926,667	7,267,875	10,508,463	4,731,350	4,126,250	4,687,900	810,600			37,026,443
2021	-	966,738	3,926,667	7,266,875	10,539,713	4,914,350	4,309,500	4,687,850	805,000			37,416,693
2022	-	965,538	3,926,667	7,265,875	10,342,713	5,100,600	4,556,750	4,687,250	808,000			37,653,393
2023	5,065,000	968,738	3,926,667	7,267,125	6,637,963	5,294,100	929,000	4,688,650	811,400			35,588,643
2024	5,225,000	966,138	3,926,667	7,269,875	6,880,838	5,488,600	929,000	4,686,400	807,700			36,180,218
2025	5,510,000	968,388	3,926,667	7,268,375	6,665,350	5,698,100	929,000	4,684,150	808,900			36,458,930
2026	5,725,000	969,388	3,926,667	7,267,125	6,765,100	5,910,850	929,000	4,686,650	806,900			36,986,680
2027	6,280,000	967,875	3,926,667	2,280,775	10,584,100	6,125,600	929,000	4,688,400	808,500			36,590,917
2028	6,525,000	970,050	3,926,667	4,136,825	9,197,300	-	6,629,000	4,684,150	809,300			36,878,292
2029	6,765,000	965,650	3,926,667	1,440,075	11,902,100	-	6,829,000	4,683,900	809,300			37,321,692
2030	7,015,000	969,938	3,926,667	-	8,926,500	-	7,029,750	4,687,150	808,500			33,363,505
2031	9,525,000	967,388	3,926,667	-	9,072,000	-	-	4,688,400	806,900			28,986,355
2032	9,860,000	968,263	3,926,667	-	-	-	-	4,687,400	809,500			20,251,830
2033	-	967,300	3,926,667	-	-	-	-	4,683,900	811,100			10,388,967
2034	-	969,500	3,926,667	-	-	-	-	4,687,650	806,700			10,390,517
2035	-	966,500	3,926,667	-	-	-	-	4,687,900	811,500			10,392,567
2036	-	966,750	3,926,667	-	-	-	-	4,684,400	811,700			10,389,517
2037	-	965,000	3,926,667	-	-	-	-	4,685,400	811,300			10,388,367
2038	-	967,396	3,738,333	-	-	-	-	4,685,200	810,300			10,201,229
2039	-	-	-	-	-	-	-	4,688,600	808,700			5,497,300
2040	-	-	-	-	-	-	-	4,685,200	811,500			5,496,700
2041	-	-	-	-	-	-	-	-	808,550			808,550
2042	-	-	-	-	-	-	-	-	-			-
2043	-	-	-	-	-	-	-	-	-			-
2044	-	-	-	-	-	-	-	-	-			-
2045	-	-	-	-	-	-	-	-	-			-
2046	-	-	-	-	-	-	-	-	-			-
2047	-	-	-	-	-	-	-	-	-			-
Totals ⁽⁶⁾												

¹⁾ July 1, except as otherwise noted.

²⁾ January 1 and July 1 payments.

³⁾ February 1 and August 1 payments.

⁴⁾ Debt service shown for periods ending August 1, 2016-2037, and July 1, 2038.

⁵⁾ Debt service not net of Qualified School Construction Bonds (QSCB) subsidy payments.

⁶⁾ Columns may not sum to totals due to rounding.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County (the “**Board of Supervisors**”) is empowered and is obligated by law to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District’s Interest and Sinking Fund, which is required by law to be maintained by the County and to be used solely for the payment of bonds of the District.

The Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Bonds.

Pledge of Tax Revenues

Pursuant to the Resolution, the District pledges all revenues from the property taxes collected from the levy by the Board of Supervisors for the payment of the Bonds and amounts on deposit in the Interest and Sinking Fund of the District to the payment of the principal or redemption price of and interest on the Bonds. This pledge is valid and binding from the date of adoption of the Resolution for the benefit of the owners of the Bonds and successors thereto. The property taxes and amounts held in the Interest and Sinking Fund of the District are immediately subject to this pledge, and the pledge constitutes a lien and security interest which immediately attaches to the property taxes and amounts held in the Interest and Sinking Fund of the District to secure the payment of the Bonds and is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. “Bonds” for purpose of this pledge means all bonds of the District heretofore or hereafter issued pursuant to voter-approved measures of the District, including the Bonds, as all such Bonds are required by State law to be paid from the Interest and Sinking Fund of the District.

The pledge is an agreement between the District and the bondholders to provide security for the Bonds in addition to any statutory lien that may exist. The Bonds and each of the other bonds secured by the pledge are or were issued to finance or refinance one or more of the projects specified in the applicable voter-approved measure.

Statutory Lien - SB 222

California Senate Bill 222 (2015) (“**SB 222**”) provides that general obligation bonds are secured by a statutory lien on the *ad valorem* taxes levied and collected to pay principal and interest thereon. For more information, see “OTHER LEGAL MATTERS – Possible Limitations on Remedies; Bankruptcy” herein.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts use property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. The

Director of Finance of the County performs the duties imposed on the treasurer-tax collector and auditor-controller. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

Taxable property located in the District had a 2015-16 assessed value of approximately \$28.8 billion and a 2016-17 assessed value of approximately \$30.7 billion. All property (real, personal and intangible) is taxable unless an exemption is granted by the State Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property; while the State Legislature may not create exemptions for real property, it has in the past implemented property tax postponement programs, including Assembly Bill 2231 (“**AB 2231**”), signed by the Governor on September 28, 2014 to allow certain qualifying senior, blind, and disabled citizens to defer payment of property taxes on their principal residence. Although most taxable property is assessed by the assessor of the county in which the property is located, some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed.

Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property’s value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the District as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State’s methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is “unsecured,” and is assessed on the “unsecured roll.” Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as “utility” property.

The following table shows the recent history of taxable assessed valuation of the various classes of property in the District since fiscal year 2000-01.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuation
Fiscal Year 2000-01 through Fiscal Year 2016-17

<u>Fiscal Year</u>	<u>Local Secured⁽¹⁾⁽²⁾</u>	<u>Annual % Change</u>	<u>Unsecured⁽¹⁾</u>	<u>Annual % Change</u>	<u>Total Valuation</u>	<u>Annual % Change</u>
2000-01	\$14,522,163,413	–	\$1,106,482,004	–	\$15,628,645,417	–
2001-02	15,352,589,511	5.72%	1,129,899,774	2.12%	16,482,489,285	5.46%
2002-03	16,636,601,130	8.36	1,142,896,806	1.15	17,779,497,936	7.87
2003-04	17,609,772,937	5.85	1,085,893,787	(4.99)	18,695,666,724	5.15
2004-05	19,042,393,551	8.14	1,132,092,441	4.25	20,174,485,992	7.91
2005-06	21,247,993,997	11.58	1,115,575,659	(1.46)	22,363,569,656	10.85
2006-07	23,784,064,837	11.94	1,240,099,083	11.16	25,024,163,920	11.90
2007-08	25,614,602,693	7.70	1,271,566,642	2.54	26,886,169,335	7.44
2008-09	26,670,786,355	4.12	1,369,019,604	7.66	28,039,805,959	4.29
2009-10	25,306,528,076	(5.12)	1,436,477,398	4.93	26,743,005,474	(4.62)
2010-11	25,005,170,720	(1.19)	1,379,440,206	(3.97)	26,384,610,926	(1.34)
2011-12	24,367,435,850	(2.55)	1,381,399,468	0.14	25,748,835,318	(2.41)
2012-13	24,088,535,893	(1.14)	1,312,707,722	(4.97)	25,401,243,615	(1.35)
2013-14	25,070,853,698	4.08	1,240,891,839	(5.47)	26,311,745,537	3.58
2014-15	26,215,882,626	4.57	1,279,564,924	3.12	27,495,447,550	4.50
2015-16	27,627,053,568	5.38	1,188,321,120	(7.13)	28,815,374,688	4.80
2016-17	29,442,558,614	6.57	1,271,280,326	6.98	30,719,590,442	6.61

⁽¹⁾ Net taxable assessed valuation including the valuation of homeowners' exemptions.

⁽²⁾ Includes the secured assessed valuation of utility property and excludes the unitary assessed valuation of utility property, both as determined by the State Board of Equalization.

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also "–Appeals of Assessed Valuation; Blanket Reductions of Assessed Values" below.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If

no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then-current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. Counties have in the past ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the values of such properties have declined below their respective current assessed value.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future. See "APPENDIX A – INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

[Drought. In recent years California has been experiencing severe drought conditions. In January 2014, Governor Brown declared a state-wide Drought State of Emergency due to the State facing serious water shortfalls due to the driest year in recorded history in the State and the resultant record low levels measured in State rivers and reservoirs. The California State Water Resources Control Board (the "**State Water Board**") subsequently issued a Statewide notice of water shortages and potential future curtailment of water right diversions. As a result of continuing dry conditions and low water content in the State's snow pack water sources, in April 2015, the Governor issued an executive order mandating specific conservation measures. The executive order included a requirement that the State Water Board impose restrictions to achieve a reduction of 25% in the State's urban water usage through February 28, 2016. On May 5, 2015, the State Water Board adopted an emergency conservation regulation in accordance with Governor Brown's directive, the provisions of which went into effect on May 18, 2015. On November 13, 2015, Governor Brown issued another executive order calling for an extension of the restrictions to urban potable water usage until October 31, 2016, should drought conditions persist through January 2016. Given the severity of the water deficits over the past four years, the rain and snowfall that California experienced through January 2016 did not eliminate the need for serious water use restrictions. On February 2, 2016, the State Water Board adopted new regulations to extend water conservation mandates through the end of October 2016 and lowered the overall conservation requirements from 25% to 23%, with exceptions for cities with particular hot weather or high levels of population growth in recent years. It is not possible for the District to make any representation regarding the extent to which these drought conditions could cause reduced economic activity within the boundaries of the District or the extent to which the drought has had or may have in the future on the value of taxable property within the District.]

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.5% of the assessed valuation of taxable property within its boundaries. Based on the fiscal year 2016-17 assessment roll, the District's gross bonding capacity is approximately \$768.0 million, and its net bonding capacity is \$[___] million (taking into account current outstanding debt before issuance of the Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table provides a distribution of taxable property located in the District by jurisdiction.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2016-17 Assessed Valuation by Jurisdiction**

<u>Jurisdiction:</u>	<u>Assessed Valuation in School District</u>	<u>% of School District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in School District</u>
City of Elk Grove	\$ 50,144,892	0.16%	\$18,080,720,336	0.28%
City of Rancho Cordova	748,739,933	2.44	\$7,524,333,708	9.95%
City of Sacramento	25,972,188,674	84.55	\$43,932,406,542	59.12%
Unincorporated Sacramento County	<u>3,948,516,943</u>	<u>12.85</u>	\$51,792,288,897	7.62%
Total District	\$30,719,590,442	100.00%		
Sacramento County	\$30,719,590,442	100.00%	\$141,825,918,245	21.66%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table provides a distribution of taxable property located in the District by principal purpose for which the land is used, showing the assessed valuation and number of parcels for each use. Single family residential properties comprise 56.62% of the assessed value of property located in the District.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2016-17 Taxable Assessed Valuation and Parcels by Land Use**

<u>Non-Residential:</u>	<u>2016-17 Assessed Valuation⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Agricultural	\$ 9,431,353	0.03%	16	0.02%
Commercial	6,525,943,911	22.17	3,639	3.57
Vacant Commercial	117,016,801	0.40	512	0.50
Industrial	1,436,880,521	4.88	1,291	1.27
Vacant Industrial	52,277,050	0.18	272	0.27
Recreational	57,314,859	0.19	97	0.10
Government/Social/Institutional	209,902,250	0.71	329	0.32
Miscellaneous	<u>1,757,191</u>	<u>0.01</u>	<u>277</u>	<u>0.27</u>
Subtotal Non-Residential	\$8,410,523,936	28.57%	6,433	6.32%
<u>Residential:</u>				
Single Family Residence	\$16,669,726,800	56.62%	83,278	81.78%
Condominium/Townhouse	295,944,797	1.01	1,862	1.83
Mobile Home	39,165,601	0.13	1,644	1.61
Mobile Home Park	39,017,905	0.13	33	0.03
2-4 Residential Units	1,356,649,019	4.61	6,437	6.32
5+ Residential Units/Apartments	1,999,573,512	6.79	1,540	1.51
Hotel/Motel	449,865,035	1.53	54	0.05
Miscellaneous Residential	47,235,074	0.16	140	0.14
Vacant Residential	<u>134,856,935</u>	<u>0.46</u>	<u>415</u>	<u>0.41</u>
Subtotal Residential	\$21,032,034,678	71.43%	95,403	93.68%
Total	\$29,442,558,614	100.00%	101,836	100.00%

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

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table provides a distribution of the per-parcel secured assessed value of single family homes. For fiscal year 2016-17, the median assessed value of single family homes is \$159,783.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Per Parcel 2016-17 Assessed Valuation of Single Family Homes**

Single Family Residential	No. of <u>Parcels</u>	2016-17 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
	83,278	\$16,669,726,800	\$200,170	\$159,783

<u>2016-17 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 - \$24,999	586	0.704%	0.704%	\$ 10,226,467	0.061%	0.061%
\$25,000 - \$49,999	5,347	6.421	7.124	213,738,197	1.282	1.344
\$50,000 - \$74,999	7,826	9.397	16.522	492,867,009	2.957	4.300
\$75,000 - \$99,999	8,688	10.433	26.954	757,971,169	4.547	8.847
\$100,000 - \$124,999	8,246	9.902	36.856	927,219,945	5.562	14.409
\$125,000 - \$149,999	7,987	9.591	46.447	1,096,117,912	6.576	20.985
\$150,000 - \$174,999	7,285	8.748	55.195	1,180,820,104	7.084	28.069
\$175,000 - \$199,999	6,118	7.346	62.541	1,144,712,243	6.867	34.936
\$200,000 - \$224,999	5,144	6.177	68.718	1,090,760,467	6.543	41.479
\$225,000 - \$249,999	4,241	5.093	73.811	1,004,829,673	6.028	47.507
\$250,000 - \$274,999	3,451	4.144	77.955	904,544,580	5.426	52.933
\$275,000 - \$299,999	2,926	3.514	81.468	840,389,994	5.041	57.975
\$300,000 - \$324,999	2,363	2.837	84.306	737,478,972	4.424	62.399
\$325,000 - \$349,999	1,989	2.388	86.694	670,143,656	4.020	66.419
\$350,000 - \$374,999	1,680	2.017	88.711	608,397,808	3.650	70.068
\$375,000 - \$399,999	1,571	1.886	90.598	608,311,301	3.649	73.718
\$400,000 - \$424,999	1,365	1.639	92.237	562,571,439	3.375	77.092
\$425,000 - \$449,999	1,054	1.266	93.502	460,733,726	2.764	79.856
\$450,000 - \$474,999	928	1.114	94.617	428,233,109	2.569	82.425
\$475,000 - \$499,999	676	0.812	95.429	328,771,672	1.972	84.398
\$500,000 and greater	<u>3,807</u>	<u>4.571</u>	100.000	<u>2,600,887,357</u>	<u>15.602</u>	100.000
Total	83,278	100.000%		\$16,669,726,800	100.000%	

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

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Largest Taxpayers

The 20 largest taxpayers in the District are shown below, ranked by aggregate secured assessed value of taxable property in fiscal year 2016-17.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT Largest Local Secured Taxpayers 2016-17

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>Total⁽¹⁾</u>
1. Hines Sacramento Wells Fargo Center	Office Building	\$ 192,500,000	0.65%
2. GPT Properties Trust	Office Building	153,620,827	0.52
3. 500 Capitol Mall LLC	Office Building	133,482,208	0.45
4. 621 Capitol Mall LLC	Office Building	129,787,707	0.44
5. CIM & 980 9 th St. Sacramento LP	Office Building	119,086,488	0.40
6. 300 Capitol Associates NF LP	Office Building	114,000,000	0.39
7. HP Hood LLC	Industrial	100,121,701	0.34
8. M&H VI Projects LLC	Commercial	96,419,649	0.33
9. CIM & J Street Hotel Sacto LP	Hotel	94,519,414	0.32
10. GSA Sacramento CA LLC	Office Building	91,372,500	0.31
11. 1415 Meridian Plaza Investors LP	Office Building	83,100,000	0.28
12. California Association of Hospitals & Health Systems	Office Building	80,470,226	0.27
13. Capitol Regency LLC	Hotel	75,202,102	0.26
14. LT Sacramento MF LLC	Apartments	72,487,427	0.25
15. Procter & Gamble Manufacturing Co.	Industrial	71,270,230	0.24
16. KW Captowers LLC	Apartments	67,326,901	0.23
17. Pappas Gateway LP & Pappas Arizona LP	Office Building	67,050,795	0.23
18. New Legacy 555 LLC	Office Building	63,181,130	0.21
19. California Almond Growers Exchange	Industrial	62,223,703	0.21
20. Sacramento Hotel LLC	Hotel	<u>62,078,963</u>	<u>0.21</u>
		\$1,929,301,971	6.55%

⁽¹⁾ 2016-17 local secured assessed valuation: \$29,442,558,614
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "--Appeals of Assessed Valuation; Blanket Reductions of Assessed Values" above.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Specifically, the District lies at the confluence of the Sacramento and American Rivers. It is encircled by waterways which could experience uncontrolled floods, including the deep water shipping channel, as well as the Sacramento and American Rivers.

The occurrence of severe seismic activity in the area or extremely severe storms could result in substantial damage to property in the District which could contribute to a substantial reduction in the assessed value of taxable property within the District. Additionally, widespread damage to the homes and infrastructure in the District as well as to the classrooms and other facilities of the District could decrease enrollment, and have a material adverse effect on the District's finances and operations. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last several years in a typical Tax Rate Area of the District (TRA 3-005). TRA-3-005 comprises approximately 29.97% of the total assessed value of taxable property in the District in fiscal year 2016-17.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Summary of Ad Valorem Tax Rates
\$1 Per \$100 of Assessed Valuation
TRA 3-005

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17⁽¹⁾</u>
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Los Rios Community College Dist. Bonds	.0193	.0181	.0113	.0091	.0141
Sacramento City Unified School Dist. Bonds	<u>.0999</u>	<u>.1225</u>	<u>.1212</u>	<u>.1335</u>	<u>.1277</u>
Total	<u>\$1.1174</u>	<u>\$1.1406</u>	<u>\$1.1325</u>	<u>\$1.1426</u>	<u>\$1.1418</u>

⁽¹⁾ The 2016-17 assessed valuation of TRA 3-005 is \$9,205,592,623 which is 29.97% of the total assessed valuation of the District.
Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Bonds to be approved by a 55% affirmative vote, bonds approved by the District's voters at the November 6, 2012 Measure Q and Measure R elections may not be issued unless the District projects that repayment of all outstanding bonds approved at the respective election will require a tax rate no greater than \$60.00 per \$100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Bonds, the District projects that the maximum tax rates required to repay all outstanding bonds approved at each of the Measure Q and Measure R elections will be within their respective legal limits. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Bonds in each year.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer-tax collector.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an

additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election by a vote of the board of supervisors, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll.

Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, decide to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency in which the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The District is not aware of any plan by the County to discontinue the Teeter Plan.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

The Teeter Plan was effective for the fiscal year commencing July 1, 1993, and pursuant to the Teeter Plan the County purchased all delinquent receivables (comprised of delinquent taxes, penalties, and interest) which had accrued as of June 30, 1993, from local taxing entities and selected special assessment districts and community facilities districts. Under the Teeter Plan, the County distributes tax collections on a cash-basis to taxing entities, such as the District, during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities and those special assessment districts and community facilities districts which the County determines are eligible to participate in the Teeter Plan.

The County reserves the right to exclude from the Teeter Plan any special tax levying agency or assessment levying agency if such agency has provided for accelerated foreclosure proceedings in the event of non-payment of such special taxes or assessments except that, if such agency has a delinquency rate in the collection of such special tax or assessment as of June 30 of any fiscal year that is equal to or less than the County's delinquency rate on the collection of current year *ad valorem* taxes on the countywide secured assessment roll, such agency's special taxes or assessments may, at the County's option, be included in the Teeter Plan.

The *ad valorem* property tax levied to pay the interest on and principal of the Bonds of the District is subject to the Teeter Plan. So long as the Teeter Plan is in effect, the District will receive 100% of the *ad valorem* property tax levied to pay its bonds irrespective of actual delinquencies in the collection of the tax by the County.

The following table shows a recent history of real property tax collections and delinquencies for the tax levied to repay the District's general obligation bonds, without regard to the Teeter Plan.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Year 2005-06 through Fiscal Year 2015-16**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2005-06	\$23,657,125.00	\$495,983.00	2.10%
2006-07	20,063,598.41	712,321.26	3.55
2007-08	22,499,937.00	899,744.00	4.00
2008-09	24,538,884.00	761,754.00	3.10
2009-10	22,583,246.00	572,615.00	2.54
2010-11	24,021,726.00	601,074.00	2.50
2011-12	24,460,162.00	412,252.00	1.76
2012-13	23,564,394.00	342,084.00	1.45
2013-14	30,387,687.00	425,488.00	1.40
2014-15	31,237,744.00	335,227.00	1.07
2015-16	36,197,451.00	311,422.00	0.86

⁽¹⁾ Debt service levy only.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of March 1, 2017, 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.

The table generally includes long-term obligations sold in the public capital markets by the public agencies listed. 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.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Direct and Overlapping Bonded Debt**

2016-17 Assessed Valuation: \$30,719,590,442

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/17</u>
Los Rios Community College District	17.779%	\$ 60,466,379
Sacramento City Unified School District	100.000	406,757,966⁽¹⁾
City of Sacramento Community Facilities Districts	100.000	4,355,000
City and Special District 1915 Act Bonds (Estimate)	Various	142,316,926
Southgate Recreation and Park Benefit Assessment District	15.840	<u>767,355</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$614,663,626

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Sacramento County General Fund Obligations	21.660%	\$ 51,141,269
Sacramento County Pension Obligation Bonds	21.660	204,473,909
Sacramento County Board of Education Certificates of Participation	21.660	1,229,205
Los Rios Community College District Certificates of Participation	17.779	168,901
Sacramento City Unified School District Lease Revenue Bonds	100.000	67,920,000
City of Elk Grove General Fund Obligations	0.277	48,946
City of Rancho Cordova Certificates of Participation	9.951	1,631,466
City of Sacramento General Fund Obligations	59.119	460,152,737
Cosumnes Community Services District Certificates of Participation	0.243	58,271
Sacramento Metropolitan Fire District General Fund and Pension Obligation Bonds	5.733	<u>3,698,873</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$790,523,577
Less: City of Elk Grove supported obligations		(26,066)
City of Sacramento supported obligations		<u>(336,396,373)</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$454,101,138

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$100,086,104

GROSS COMBINED TOTAL DEBT \$1,505,273,307⁽²⁾
NET COMBINED TOTAL DEBT \$1,168,850,868

- (1) Excludes the Bonds described herein.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$406,757,966)	1.32%
Total Direct and Overlapping Tax and Assessment Debt.....	2.00%
Combined Direct Debt (\$474,677,966)	1.55%
Gross Combined Total Debt.....	4.90%
Net Combined Total Debt	3.80%

Ratios to Redevelopment Incremental Valuation (\$4,672,199,364):
Total Overlapping Tax Increment Debt.....2.14%

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District (“**Bond Counsel**”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“**Premium Bonds**”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, presidential budget proposals in previous years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

General. Following is a discussion of certain considerations relating to potential bankruptcies of school districts in California. It is not an exhaustive discussion of the potential application of bankruptcy law to the District. State law contains a number of safeguards to protect the financial solvency of school districts. See "APPENDIX A – DISTRICT FINANCIAL MATTERS – District Budget Process and County Review." If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the "**State Superintendent**"), operating through an administrator appointed by the State Superintendent, 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 a district for the adjustment of its debts, assuming that such district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts under current State law are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

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 parties to the proceedings may be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, 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, if the bankruptcy court were to determine that the alterations were fair and equitable. In addition, in such a proceeding, as part of such a plan, the District may be able to eliminate the obligation of the County to raise taxes if necessary to pay the Bonds. 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, a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

As stated above, if a school district were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of the language of Chapter 9, a school district is a municipality. State law provides that the *ad valorem* taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the District's general obligation bonds and for no other purpose. If this restriction on the expenditure of such *ad valorem* taxes is respected in a bankruptcy case, then the *ad valorem* tax revenue could not be used by the District for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to Senate Bill 222 (2015) (“**SB 222**”) that became effective on January 1, 2016, all general obligation bonds issued by local agencies in California, including the Bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. SB 222 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed unless the Bonds are determined to be secured by a pledge of “special revenues” within the meaning of the Bankruptcy Code and the pledged *ad valorem* taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds (see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Pledge of Tax Revenues”) are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues that are collected after the date of the bankruptcy filing 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. The District has specifically pledged the *ad valorem* taxes for payment of the Bonds. Additionally, the *ad valorem* taxes levied for payment of the Bonds are permitted under the State Constitution only where either (i) the applicable bond proposition is approved by 55% of the voters and such proposition contains a specific list of school facilities projects, or (ii) if the applicable bond proposition is approved by two-thirds of voters and such bonds must be issued for the acquisition or improvement of real property. Because 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, such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the *ad valorem* tax revenues are determined to be “special revenues,” the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the Bonds.

Possession of Tax Revenues; Remedies. If the County or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County or the District, as applicable, does not voluntarily pay such tax revenues to the owners of the Bonds, it is not clear what procedures the owners of the Bonds would take or how effective they would be in obtaining possession of such tax revenues.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor’s Rights. The proposed form of opinion of Bond Counsel, attached hereto as Appendix D, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. A complete copy of the proposed form of Bond Counsel opinion is set forth in “APPENDIX D—PROPOSED FORM OF OPINION OF BOND COUNSEL.” Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Legality for Investment in California

Under provisions of the Financial Code of the State, 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 its depositors, and, under provisions of the Government Code, the Bonds are eligible securities for deposits of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders 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 (currently ending June 30), commencing with the report for the 2016-17 fiscal year (which is due no later than April 1, 2018) and to provide notice of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in “APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

[During the five-year period preceding the date of this Official Statement, the District failed to timely file certain [listed or enumerated] event notices and financial operating information required by the terms of its previous undertakings, including but not limited to certain annual reports and notices of rating changes, or insurer-related rating changes or rating withdrawals with respect to numerous series of obligations. Additionally, certain of the annual reports timely filed did not disclose certain information required by the terms of the District’s previous undertakings, including appropriations limit and appropriations subject to the limit, and lottery revenue. The District also failed to timely file certain operating data with respect to the Community Facilities District No. 1. In December 2013, the District put procedures in place to prevent future noncompliance, including having Capitol Public Finance Group, LLC, the District’s current dissemination agent (“**Dissemination Agent**”), assist the District with compliance with its continuing disclosure obligations. The Dissemination Agent has assisted the District in filing all necessary information to make the District current in its continuing disclosure obligations under the Rule

and continues to work with the District in establishing and maintaining the necessary safeguards to assist in the timely filing of required information going forward.] [To be confirmed/updated]

No Litigation

No litigation is pending or, to the best knowledge of the District, threatened, concerning the validity of the Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Bonds, the political existence of the District, the title to their offices of District or County officials who will sign the Bonds and other certifications relating to the Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the original purchasers at the time of the original delivery of the Bonds.

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

MISCELLANEOUS

Ratings

The Bonds have received the ratings of "[__]" by Moody's Investors Service ("**Moody's**") and "[__]" by Fitch Ratings ("**Fitch**"). Rating agencies generally base their ratings on their own investigations, studies and assumptions. The District has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement). The ratings reflect only the views of the rating agency and any explanation of the significance of such rating may be obtained only from such rating agency as follows: Moody's at www.moody's.com and Fitch at www.fitchratings.com. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that any rating will continue for any given period of time or that the ratings not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds. The District undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and as Disclosure Counsel to the District with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. [_____] is acting as Underwriter's Counsel to the Underwriter with respect to the Bonds, and will receive compensation from the Underwriter contingent upon the sale and delivery of the Bonds. Capitol Public Finance Group, LLC is acting as Financial Advisor with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. Lozano Smith is acting as District General Counsel with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds.

[Potential for Bond Insurance]

[The District has applied for municipal bond insurance to guarantee the scheduled payment of principal of and interest on one or more maturities of the Bonds and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance for one or more maturities.]

Underwriting

The Bonds are to be purchased by [_____] (the "**Underwriter**"). The Underwriter has agreed, subject to certain terms and conditions set forth in the Bond Purchase Agreement, dated _____, 2017 by and between the Underwriter and the District, to purchase the Bonds at a purchase price of \$_____ (which represents the aggregate initial principal amount of the Bonds, plus a net original issue premium of \$_____ and less \$_____ of Underwriter's discount). The Underwriter will purchase all the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing said Bonds into

investment trusts) and others at prices lower than the initial public offering price, and the public offering price may be changed from time to time by the Underwriter.

The Underwriter has certified the public reoffering prices or yields set forth on the inside cover page hereof. The Underwriter's compensation is computed based on those prices or yields, and the District takes no responsibility for the accuracy of those prices or yields. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriter.

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Additional Information

Quotations from and summaries and explanations of the Bonds, the Paying Agent Agreement and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

* * *

All data contained herein have been taken or constructed from the District's records and other sources, as indicated. This Official Statement and its distribution have been duly authorized and approved by the District.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____
Chief Business Officer

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this Appendix concerning the operations of the District, the District's finances, and State funding of education, 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 or from State revenues. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the Official Statement.

THE DISTRICT

Introduction

The Sacramento City Unified School District (the "**District**"), located in Sacramento County, California (the "**County**"), is the 13th largest school district in the State of California (the "**State**") as measured by student enrollment. The District provides educational services to the residents in and around the City of Sacramento (the "**City**"), the State capital. The District operates under the jurisdiction of the Superintendent of Schools of Sacramento County. See "THE BONDS—Authority for Issuance; Purpose" in the Official Statement. The District's estimated average daily attendance for fiscal year 2016-17 is 38,783 students and the District's 2016-17 general fund expenditures are projected at approximately \$511.6 million.

The District operates 40 elementary schools for grades K-6, eight K-8 schools, six middle schools for grades 7-8, one 7-9 school, one 7-12 school, seven comprehensive high schools for grades 9-12, five alternative education centers, two special education centers, two adult education centers, 14 charter schools (including five dependent charter schools) and 44 children's centers/preschools serving infants through age 12. The District's estimated enrollment for fiscal year 2016-17, including charter schools in the District, is approximately 41,076 students. For fiscal year 2016-17, the District projects to employ approximately 3,622 FTE employees, which includes 2,183 certificated (credentialed teaching) employees, 1,188 FTE classified (noninstructional) employees, and 251 supervisory/other personnel.

The District is governed by a Board of Education (the "**Board of Education**") consisting of seven members and one student member, who has an advisory vote. The regular members are elected to staggered four-year terms every two years, alternating between three and four available positions. Beginning in 2008, board member elections are no longer held District-wide, but instead are held among voters who reside in each of seven trustee areas.

The day-to-day operations are managed by a board-appointed Superintendent of Schools. José L. Banda was appointed Superintendent of the District on July 17, 2014. Prior to his appointment, Mr. Banda served for two years as Superintendent of Seattle Public Schools, Washington state's largest K-12 district, four years as Superintendent of the 20,000-student Anaheim City School District, three years as the Superintendent of the Planada School District, and thirteen years as a secondary administrator, including eight years as a high school principal. Mr. Banda has over 30 years of experience in the field of education and holds a Bachelor of Arts from California State University in Bakersfield and a master's in Educational Leadership from Chapman University. [Mr. Banda intends to leave the District at the end of the 2016-17 school year.]

Gerardo Castillo, CPA, began his term as the Interim Chief Business Officer on August 16, 2014 and became Chief Business Officer on March 1, 2015. Prior to becoming Interim Chief Business Officer, Mr. Castillo served as Director of Finance of the District for seven years. Mr. Castillo holds a CBO certificate and has over 17 years of work experience in finance, including 13 years in the field of school district finance.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for most school districts in California, the District's operating income consists primarily of three components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "**Local Control Funding Formula**" or "**LCFF**") (see "—Allocation of State Funding to School Districts; Local Control Funding Formula" herein), a State portion funded from the Education Protection Account, and a local portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District projects to receive approximately 74.1% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately \$378.7 million for fiscal year 2016-17. Such State funds include both the State funding provided under LCFF as well as other State revenues (see "—Allocation of State Funding to School District; Local Control Funding Formula – *Attendance and LCFF*" and "—Other District Revenues – *Other State Revenues*" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the State Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs.

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

The State budget for fiscal year 2013-14 contained a new formula for funding the school finance system. The LCFF replaced the revenue limit funding system and most categorical programs. See "—Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2016-17 State budget on June 27, 2016.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget.

Should the Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Bonds, and the District takes no responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Rainy Day Fund; SB 858. The fiscal year 2014-15 State Budget (the “**2014-15 State Budget**”) proposed certain constitutional amendments to the rainy day fund (the “**Rainy Day Fund**”) on the November 2014 ballot, as well as certain provisions as part of Senate Bill 858 (“**SB 858**”) which could limit the amount of reserves that may be maintained by a school district, all of which became operational when Proposition 2 was passed. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein for more information regarding the Rainy Day Fund and SB 858.

[AB 1469. As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 (“**AB 1469**”) which implements a new funding strategy for the California State Teachers’ Retirement System (“**CalSTRS**”), increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. See “– Retirement Benefits – CalSTRS” herein for more information about CalSTRS and AB 1469.]

2016-17 State Budget. The Governor signed the fiscal year 2016-17 State budget (the “2016-17 State Budget”) on June 27, 2016. The 2016-17 State Budget sets forth a balanced budget for fiscal year 2016-17 and allocates funds from Proposition 2 to pay down outstanding budgetary borrowing and retirement liabilities of the State and University of California. The 2016-17 State Budget estimates that total resources available in fiscal year 2015-16 totaled approximately \$120.45 billion (including a prior year balance of \$3.4 billion) and total expenditures in fiscal year 2015-16 totaled approximately \$115.57 billion. The 2016-17 State Budget projects total resources available for fiscal year 2016-17 of \$125.18 billion, inclusive of revenues and transfers of \$120.31 billion and a prior year balance of \$4.87 billion. The 2016-17 State Budget projects total expenditures of \$122.47 billion, inclusive of non-Proposition 98 expenditures of \$71.42 billion and Proposition 98 expenditures of \$51.05 billion. The 2016-17 State Budget proposes to allocate \$966 million of the State General Fund’s projected fund balance to the Reserve for Liquidation of Encumbrances and \$1.75 billion of such fund balance to the State’s Special Fund for Economic Uncertainties. In addition, the 2016-17 State Budget estimates the Rainy Day Fund will have a fund balance of \$6.71 billion.

Certain budgeted adjustments for K-12 education set forth in the 2016-17 State Budget include the following:

- **School District Local Control Funding Formula.** The 2016-17 State Budget includes an increase of more than \$2.9 billion to continue the implementation of the Local Control Funding Formula. The 2016-17 State Budget proposes to commit most new funding to Supplemental Grants and Concentration Grants. The Governor estimates that the budgeted increase will bring the total Local Control Funding Formula implementation to 96%.
- **Proposition 98 Minimum Guarantee.** The 2016-17 State Budget includes Proposition 98 funding of \$71.9 billion, inclusive of State and local funds, for fiscal year 2016-17. Such amount is expected to satisfy the Proposition 98 minimum guarantee for fiscal year 2016-17.
- **Mandate Claims.** The 2016-17 State Budget proposes to allocate approximately \$1.3 billion in one-time moneys to reduce outstanding mandate claims by K-12 local education agencies. The State expects such funds to be used for activities including, among others, deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology and the implementation of new educational standards.
- **College Readiness Block Grant.** The 2016-17 State Budget includes a one-time increase of \$200 million to the Proposition 98 General Fund for grants to school districts and charter schools that serve high school students. The State will direct grant recipients to such funds be used to support access to higher education and transition to higher education.
- **Integrated Teacher Preparation Grant Program.** The 2016-17 State Budget includes a one-time allocation of \$10 million from the Proposition 98 portion of the General Fund to the Integrated Teacher Preparation Grant Program, which provides competitive grants to colleges and universities to develop or improve teacher credential programs.

- Classified School Employees Credentialing Program. The 2016-17 State Budget includes a one-time allocation of \$20 million from the Proposition 98 portion of the State General Fund to establish a credentialing program that recruits non-certified school employees and prepares them to become certificated classroom teachers.
- California Center on Teacher Careers. The 2016-17 State Budget includes a one-time increase of \$5 million of Proposition 98 General Fund to establish a multi-year competitive grant, which will be awarded to a local education agency to establish and operate the California Center on Teaching Careers. The California Center on Teaching Careers, once established, will recruit individuals to the teaching profession, host a referral database for teachers seeking employment, develop and distribute recruitment publications, conduct outreach activities to high school and college students, provide statewide public service announcements related to teacher recruitment, and provide prospective teachers information on credential requirements, financial aid and loan assistance programs.
- California Collaborative for Educational Excellence. The 2016-17 State Budget provides a one-time increase of \$24 million to the Proposition 98 portion of the General Fund for the California Collaborative for Educational Excellence to, among other things, support statewide professional development training relating to evaluation methods and metrics and implement a pilot program related to advising and assisting local education agencies on improving pupil outcomes.
- Safe Drinking Water in Schools. The 2016-17 State Budget includes an increase of \$9.5 million of one-time Proposition 98 General Fund to create a grant program to improve access to safe drinking water for schools located in isolated areas and economically disadvantaged areas. The program will be developed and administered by the State Water Resources Control Board in consultation with the California Department of Education.
- Charter School Startup Grants. The 2016-17 State Budget allocates an increase of \$20 million of one-time Proposition 98 General Fund resources to support operational startup costs for new charter schools in 2016 and 2017. Such allocation is expected to partially offset the loss of federal funding previously available for such purpose.
- Multi-Tiered Systems of Support. The 2016-17 State Budget allocates an increase of \$20 million of one-time Proposition 98 General Fund resources to build upon the \$10 million investment included in the 2015-16 State Budget for an increased number of local educational agencies to provide academic and behavioral supports in a coordinated and systematic way. The State expects such funds to, among other things, assist local education agencies as they provide services that support academic, behavioral, social and emotional needs and improve outcomes for students.
- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The 2016-17 State Budget includes an increase of \$18 million on a one-time basis to the Proposition 98 portion of the General Fund allocated to a grant program for truancy and dropout prevention.

The complete 2016-17 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2017-18 State Budget. The Governor released his proposed fiscal year Proposed 2017-18 State Budget (the "Proposed 2017-18 State Budget") on January 10, 2017. The Proposed 2017-18 State Budget sets forth a balanced budget for fiscal year 2017-18. However, the Governor cautions that the State's projected revenues are approximately \$5.8 billion lower than projected for 2015-16 through 2017-18 and, absent corrective action, could lead to annual deficits of \$1 billion to \$2 billion. The Proposed 2017-18 State Budget estimates that total resources

available in fiscal year 2016-17 totaled approximately \$123.79 billion (including a prior year balance of \$5.0 billion) and total expenditures in fiscal year 2016-17 totaled approximately \$122.76 billion. The Proposed 2017-18 State Budget projects total resources available for fiscal year 2017-18 of \$125.05 billion, inclusive of revenues and transfers of \$124.03 billion and a prior year balance of \$1.03 billion. The Proposed 2017-18 State Budget projects total expenditures of \$122.52 billion, inclusive of non-Proposition 98 expenditures of \$71.17 billion and Proposition 98 expenditures of \$51.35 billion. The Proposed 2016-17 State Budget proposes to allocate \$980 million of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and \$1.55 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2017-18 State Budget estimates the Rainy Day Fund will have a fund balance of \$7.87 billion.

Certain budgeted adjustments for K-12 education set forth in the Proposed 2017-18 State Budget include the following:

- School District Local Control Funding Formula. The Proposed 2017-18 State Budget includes an increase of more than \$744 million to continue the transition to full implementation of the Local Control Funding Formula. The Governor estimates that the Local Control Funding Formula's implementation will reach 96 percent in fiscal year 2017-18.
- Proposition 98 Minimum Guarantee. The Proposed 2017-18 State Budget proposes to fund the Proposition 98 minimum guarantee in fiscal year 2016-17 and 2017-18. However, due to changes in workload factors and budgetary adjustments, the Governor's calculation of the Proposition 98 minimum guarantee will be approximately \$55.5 million and \$113.5 million less than previously projected for fiscal years 2015-16 and 2016-17, respectively. The Proposed 2017-18 State Budget projects a Proposition 98 minimum guarantee of \$73.5 billion in 2017-18.
- One-Time Local Control Funding Formula Cost Shift. The Proposed 2017-18 State Budget proposes to shift \$859.1 million in Local Control Funding Formula expenditures from June 2017 to July 2017 in order to maintain 2016-17 programmatic expenditure levels. The Proposed 2017-18 State Budget will repay this deferral in 2017-18.
- One-Time Discretionary Funding. The Proposed 2017-18 State Budget includes an increase of \$287 million in one-time Proposition 98 General Fund for school districts, charter schools and county offices of education to use at local discretion. This funding will support investments such as content standards implementation, technology, professional development, induction programs for beginning teachers and deferred maintenance.
- Career Technical Education Funding. The Proposed 2017-18 State Budget includes \$200 million for the Career Technical Education Incentive Grant Program, the final installment of funding for this three-year program.
- County Offices of Education Local Control Funding Formula. The Proposed 2017-18 State Budget includes an increase of \$2.4 million Proposition 98 General Fund to support a cost-of-living adjustment and average daily attendance changes for county offices of education.
- Charter School Growth. The Proposed 2017-18 State Budget includes an increase of \$93 million Proposition 98 General Fund to support projected charter school average daily attendance growth.
- Special Education. The Proposed 2017-18 State Budget includes a decrease of \$4.9 million Proposition 98 General Fund to reflect a projected decrease in special education average daily attendance.
- Local Property Tax Adjustments. The Proposed 2017-18 State Budget includes a decrease of \$922.7 million in Proposition 98 General Fund for school districts and county offices of education in 2017-18 as a result of increased offsetting local property tax revenues.
- School District Average Daily Attendance. The Proposed 2017-18 State Budget includes a

decrease of \$63.1 million in fiscal year 2017-18 for school districts as a result of a projected decline in average daily attendance.

- Cost-of-Living Adjustments. The Proposed 2017-18 State Budget includes an increase of \$58.1 million Proposition 98 General Fund to support a 1.48% cost-of-living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- California Clean Energy Jobs Act. The California Clean Energy Jobs Act of 2012 increases state corporate tax revenues, and requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency for fiscal years 2013-14 through 2017-18. The Proposed 2017-18 State Budget includes \$422.9 million to support school district and charter school energy efficiency projects.
- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The Proposed 2017-18 State Budget includes \$10.1 million to support investments aimed truancy and dropout prevention among K-12 public school pupils.
- Proposition 56. Proposition 56 (2016) requires a portion of the revenues from the increased cigarette tax and the tax on other tobacco products to be used for school programs that prevent and reduce the use of tobacco and nicotine products by youths. The Proposed 2017-18 State Budget includes \$29.9 million to support tobacco and nicotine prevention and reduction programs at K-12 schools.
- Kindergarten Through Community College Public Education Facilities Bond Act. The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 authorized \$7 billion in State general obligation bonds for K-12 schools. The Proposed 2017-18 State Budget states that the Governor will support the expenditures of Proposition 51 funds after, among other things, legislation is approved regarding bond expenditures audit requirements and the State Allocation Board and Office of Public School Construction revise policies and regulations for school participants that request funding through the school facilities program.

The complete Proposed 2017-18 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of 2017-18 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2017-18 Proposed State Budget entitled "The 2017-18 Budget: Overview of the Governor's Budget" on January 13, 2017 (the "2017-18 Proposed Budget Overview"). In the 2017-18 Proposed Budget Overview, the LAO challenges the Governor's revenue projections with regard to personal income tax revenues as being far too low. While the LAO admits that the Governor's estimated 3.3% personal income tax growth rate is possible, the LAO points out that it is inconsistent with other aspects of the administration's economic outlook, which predicts stock price growth for several years after 2016. By the May revision of the budget, the LAO predicts that the budget will change and reflect considerably more revenue since the State will have more information on its fiscal condition. The LAO also points out that the Governor's budget proposal assumes no major changes in federal policy, which the LAO notes is a reasonable assumption given that at this point, there is no way of knowing precisely what actions the new Congress and President will pursue. The LAO explains that there may be some near-term benefit to state tax revenues based on changes in federal tax policies, but states that other possible federal policy changes, however, could affect the economy, reduce federal funding, and/or increase state costs substantially in future years—especially potential changes in federal health care programs.

With respect to the Proposition 98 budget plan in the Proposed 2017-18 State Budget, the LAO expects that the minimum guarantee for fiscal year 2015-16 will remain unchanged while the fiscal year 2016-17 minimum guarantee could be revised more substantially. In light of the higher revenue that the LAO expects in fiscal year 2017-18, the LAO also predicts that the minimum guarantee for fiscal year 2017-18 will be higher.

As discussed in the 2017-18 Proposed Budget Overview, the largest ongoing budget proposal is a \$744 million augmentation to LCFF. According to the LAO, the proposed augmentation is approximately equal to the cost of applying the statutory 1.48% cost-of-living adjustment. The LAO reports that the Governor estimates that LCFF would be 96% funded in fiscal year 2017-18—about the same percentage as fiscal year 2016-17. Under this proposal, school districts would receive 13 months of payments in fiscal year 2017-18, which includes 12 normal monthly LCFF payments plus a one-time payment of \$859 million related to the prior-year deferral. The LAO notes that the Governor’s proposed budget also includes new community college funding—about half of which is for apportionments, and the remainder is for mainly one-time payments for categorical programs. The 2017-18 Proposed Budget Overview provides that the Governor’s budget plan includes \$600 million in additional Proposition 98 related funding, including (1) \$287 million for the K-12 mandates backlog, (2) \$200 million for the Career Technical Education Incentive Grant program, (3) \$44 million for deferred maintenance at the community colleges, and (4) \$70 million for fund swaps (using one-time payments to support ongoing programs).

The Governor’s budget roughly balances new ongoing and one-time Proposition 98 spending in fiscal year 2017-18. Regardless of the exact level of the fiscal year 2017-18 minimum guarantee, the LAO recommends that the Legislature adopt a final budget plan that continues to rely on a mix of ongoing and one-time spending. Under the LAO’s advised approach, the Legislature could dedicate a portion of any additional increases in the minimum guarantee to LCFF and California Community College apportionments while using the remainder for one-time payments to reduce or eliminate the K-12 mandates backlog. The LAO cautions that a stronger fiscal year 2017-18 does not necessarily imply a strong fiscal year 2018-19, and by setting aside some funding for one-time purposes, the state would be better positioned to accommodate a drop in the fiscal year 2018-19 minimum guarantee without needing to make cuts to LCFF or community college apportionments.

The 2017-18 Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2017-18 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor’s budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2017-18 State budget from the Proposed 2017-18 State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2017-18 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2017-18 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or 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 beyond the District’s ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State’s ability to fund schools during fiscal year 2017-18 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Bonds.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund (“**ERAF**”) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State’s voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as “**Proposition 22.**”

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and

services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see “– *Dissolution of Redevelopment Agencies*” below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years – such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal year 2011-12, as signed by the Governor on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) (“**AB1X 26**”) and Assembly Bill No. 27 (First Extraordinary Session) (“**AB1X 27**”), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the “**Court**”) challenging the validity of AB1X 26 and AB1X 27 on various grounds (*California Redevelopment Association v. Matosantos*). On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 described below take into account the modifications made by the Court in *Matosantos*.

On February 1, 2012, and pursuant to *Matosantos*, AB1X 26 dissolved all redevelopment agencies in existence and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency, will be transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its “enforceable obligations.” For this purpose, AB1X 26 defines “enforceable obligations” to include “bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency” and “any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy.” AB1X 26 specifies that only payments included on an “enforceable obligation payment schedule” adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution. However, until a successor agency adopts a “recognized obligation payment schedule” the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a “redevelopment property tax trust fund” created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller’s administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;
- To the former redevelopment agency’s successor agency for payments listed on the successor agency’s recognized obligation payment schedule for the ensuing six-month period;
- To the former redevelopment agency’s successor agency for payment of administrative costs; and
- Any remaining balance to school entities and local taxing agencies.

The District projects it will receive less than \$200,000 in pass-through payments in fiscal year 2014-15. The District does not anticipate the dissolution of redevelopment agencies to have any significant effect on its total general revenues.

It is possible that there will be additional legislation proposed and/or enacted to “clean up” various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a “tax claw back” provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This “tax claw back” provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Allocation of State Funding to School Districts; Local Control Funding Formula

Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a “base revenue limit” per student multiplied by a district’s student enrollment measured in units of A.D.A. The base revenue limit was calculated from a district’s prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district, referred to as State “equalization aid,” was the amount needed to reach that district’s base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State’s contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as “basic aid districts,” which are now referred to as “community funded districts.” School

districts that received some equalization aid were commonly referred to as “revenue limit districts,” which are now referred to as “LCFF districts.” The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the existing revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base revenue limit funding grant (“**Base Grant**”) per unit of A.D.A. with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF has an eight-year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency, equivalent to \$7,643 per unit of A.D.A. in fiscal year 2013-14. Such Base Grant per unit of A.D.A., adjusted by grade span variation and to be adjusted annually for cost-of-living, is as follows: \$6,845 for grades K-3, \$6,947 for grades 4-6, \$7,154 for grades 7-8 and \$8,289 for grades 9-12. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.
- A 20% supplemental grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency’s Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.
- An Economic Recovery Target (the “ERT”) that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Of the projected \$25 billion in new funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for Base Grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to Base Grants, 10 cents will go to supplemental grants and 6 cents will go to concentration grants.

Under the new formula, for “basic aid districts” (now, “community funded districts”), local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year local control and accountability plan (“**LCAP**”). Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district’s budget to ensure adequate funding is allocated for the planned actions.

Each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district’s LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the “Collaborative”), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency’s LCAP.

Attendance. The following table sets forth the District’s actual A.D.A., and enrollment for fiscal years 2006-07 through 2016-17 for grades K-12. The A.D.A. and enrollment numbers reflected in the following table include special education.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Average Daily Attendance and Student Enrollment
Fiscal 2006-07 through 2016-17**

Year	Average Daily Attendance ⁽¹⁾	Enrollment ⁽²⁾
2006-07	45,198	45,673
2007-08	44,229	45,102
2008-09	44,023	44,468
2009-10	41,653	44,238
2010-11	41,347	43,754
2011-12	41,131	43,426
2012-13	40,449	42,623
2013-14	39,985	41,638
2014-15	38,891	41,026
2015-16	38,837	41,028
2016-17	38,739	41,076

⁽¹⁾ Average daily attendance for the second period of attendance, typically in mid-April of each school year.

⁽²⁾ Enrollment figures include dependent charter schools in the District and exclude independent charter schools.

Source: Sacramento City Unified School District.

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Attendance and LCFF. The following table sets forth the District’s estimated and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, “EL/LI Students”)), and targeted Base Grant per unit of A.D.A. for fiscal years 2015-16 and 2016-17, respectively. The A.D.A. and enrollment numbers reflected in the following table exclude special education, community day school, compulsory continuation education and charter school attendance.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2015-16 through 2016-17**

Fiscal Year		A.D.A./Base Grant				Enrollment ⁽¹⁾		
		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated Percentage of EL/LI Students
2015-16	A.D.A. ⁽²⁾	[12,263]	[9,682]	[6,289]	[10,220]	[38,455]	[41,028]	[71.89]%
	Targeted Base Grant ⁽³⁾⁽⁴⁾	\$[7,083]	\$7,189	\$7,403	\$[8,578]	--	--	--
2016-17	A.D.A.	[____]	[____]	[____]	[____]	[____]	[41,076]	[____]%
	Targeted Base Grant ⁽³⁾⁽⁴⁾	\$[7,820]	\$[7,189]	\$[7,403]	\$[8,801]			

⁽¹⁾ Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI Students will be based on a rolling average of such school district’s EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

⁽²⁾ A.D.A. for the second period of attendance, typically in mid-April of each school year. Prior year A.D.A. used for revenue calculations for districts with declining enrollment.

⁽³⁾ Such amounts represent the targeted amount of Base Grant per unit of A.D.A., including grade span adjustments with respect to grades K-3 and 9-12, and do not include any supplemental and concentration grants under the LCFF. Such amounts were not fully funded in fiscal year 2015-16 and is not expected to be fully funded in fiscal year 2016-17.]

⁽⁴⁾ Targeted fiscal year 2015-16 Base Grant amounts reflect a 1.02% cost of living adjustment from targeted fiscal year 2014-15 Base Grant amounts. Targeted fiscal year 2016-17 Base Grant amounts reflect a 0.00% cost of living adjustment from targeted fiscal year 2015-16 Base Grant amounts. Figures represent projections.

Source: Sacramento City Unified School District

The District received approximately \$347.5 million in aggregate revenues allocated under the LCFF in fiscal year 2015-16, and projects to receive approximately \$362.7 million in aggregate revenues under the LCFF in fiscal year 2016-17 (or approximately 71.0% of its general fund revenues in fiscal year 2016-17). Such amount includes an estimated \$[____] million in supplemental grants and \$[____] million in concentration grants in fiscal year 2016-17.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In a LCFF district, increasing enrollment increases the total amount distributed under LCFF and thus generally increases a district’s entitlement to State aid, while increases in property taxes do nothing to increase district revenues, but only offset the State aid funding requirement. Operating costs typically increase disproportionately slower than enrollment growth until the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State aid while operating costs typically decrease slowly until the district decides to lay off teachers, close schools, or initiate other cost-saving measures. Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it a LCFF, but since all LCFF income (and more) is already generated by local property taxes, there is typically no increase in State income. New students impose increased operating costs,

but typically at a slower pace than enrollment growth, and the effect on the financial condition of a community funded district would depend on whether property tax growth keeps pace with enrollment growth. Declining enrollment typically does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the State Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive the same level of State aid as allotted in fiscal year 2012-13. See "—Allocation of State Funding to School Districts: Local Control Funding Formula" herein for more information about the LCFF.

Local property tax revenues account for approximately [20.3]% of the District's aggregate LCFF income, and are projected to be approximately \$[73.6] million, or approximately [14.4]% of total general fund revenue in fiscal year 2016-17. The County is a "Teeter Plan" county, which means that the District is made whole for any delinquencies in payment of property taxes by local property owners. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Teeter Plan" in the first part of this Official Statement. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 9.9% (or approximately \$50.8 million) of the District's general fund projected revenues for fiscal year 2016-17.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues which comprise approximately 17.4% (or approximately \$88.9 million) of the District's general fund projected revenues for fiscal year 2016-17. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected to be approximately \$9.1 million in fiscal year 2016-17, representing about 1.8% of general fund revenues.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as interest earnings and other local sources. Other local revenues comprise approximately 1.7 % (or approximately \$8.8 million) of the District's general fund projected revenues for fiscal year 2016-17.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2016, which are included as APPENDIX C.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Crowe Horwath LLP, Sacramento, California, served as independent auditor to the District for fiscal year ended June 30, 2016. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has neither audited nor reviewed this Official Statement. The auditor has made no representation in connection with inclusion of the audit herein that there has been no material change in the financial condition of the District since the audit was concluded. The District is required by law to adopt its audited financial statements following a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table shows the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2012-13 through 2016-17.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
General Fund
Revenues, Expenditures and Fund Balances
Fiscal Year 2012-13 through 2016-17

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17 ⁽¹⁾
REVENUES					
LCFF/Revenue Limit ⁽²⁾					
State Apportionment	\$167,285,273	\$233,388,541	\$253,388,065	\$279,635,875	\$289,097,176
Local Sources/Property Taxes	53,090,769	59,351,680	62,151,276	67,833,718	73,628,827
Total LCFF/Revenue Limit⁽²⁾	\$220,376,042	\$292,740,221	\$315,539,341	\$347,469,593	\$362,726,003
Federal Revenue	47,813,970	47,934,358	43,153,693	41,092,819	50,794,527
Other State Revenue	103,236,312	52,891,179	62,827,008	105,152,845	88,875,034
Other Local Revenue	8,470,354	12,249,399	11,130,531	43,437,281	8,757,272
Total Revenues	\$379,896,678	\$405,815,157	\$432,650,573	\$537,152,538	\$511,152,837
EXPENDITURES					
Certificated Salaries	\$160,051,515	\$159,772,198	\$165,315,040	\$176,005,412	\$186,861,691
Classified Salaries	48,975,962	49,708,213	51,468,603	56,705,577	59,970,301
Employee Benefits	101,434,551	106,058,973	134,164,354	139,255,928	148,125,286
Books and Supplies	10,711,932	12,645,150	14,881,152	11,082,532	21,161,546
Services, Other Operating Expenditures	59,986,078	55,459,661	57,364,014	89,605,018	66,526,952
Capital Outlay	569,142	331,829	2,576,920	21,472,676	30,545,831
Other (outgo)	34,041	235,930	240,854	394,103	(1,575,829)
Debt service	2,177,203	1,997,075	2,821,195	[8,210]	19,794
Total Expenditures	\$383,940,424	\$386,209,029	\$428,832,132	\$494,529,456	\$511,635,571
Excess (Deficiency) of Revenues Over Expenditures	(4,043,746)	19,606,128	3,818,441	42,623,082	(482,734)
Other Financing Sources (Uses):					
Transfers in	\$2,274,988	\$3,550,271	\$3,007,486	\$[18,911,687]	\$1,438,122
Transfers Out	-	(1,071,304)	(3,762,319)	[(8,386,451)]	1,601,611
Proceeds from Obligations/Liabilities	64,608	-	226,249	-	-
Net Financing Sources (Uses)	\$2,339,596	\$2,478,967	\$(528,584)	\$10,525,236	\$(163,489)
NET CHANGE IN FUND BALANCES	(1,704,150)	22,085,095	3,289,857	53,148,318	
Fund Balance – Beginning	\$21,113,495	\$19,409,345	\$41,494,440	\$44,784,297	\$75,719,334⁽⁵⁾
Fund Balance – Ending	\$19,409,345	\$41,494,440	\$44,784,297	\$97,932,615	\$75,073,110
Reserve for Economic Uncertainties ⁽⁴⁾	\$8,007,454	\$13,976,133	\$12,763,133	\$18,763,133	\$20,013,133

⁽¹⁾ Projected. Columns may not sum to totals due to rounding.

⁽²⁾ Revenue Limit for fiscal year 2012-13. Local Control Funding Formula for fiscal year 2013-14, 2014-15, 2015-16 and 2016-17.

⁽³⁾ The decrease in fund balance represents planned carryover from the previous fiscal year of ARRA, Federal Education Jobs Funds and unrestricted funds to protect the District from anticipated mid-year trigger reductions

⁽⁴⁾ The District must maintain a two percent unrestricted general fund reserve for economic uncertainty.

⁽⁵⁾ Does not include \$22,213,281 from Retiree Benefit Fund balance designated for retiree health premiums as a result of a change in accounting treatment.

Source: Audited Financial Reports for fiscal years 2012-13 through 2015-16; District's Second Interim Report, adopted March 16, 2017, for fiscal year 2016-17.

The following table shows the general fund balance sheets of the District for the fiscal years 2010-11 through 2015-16.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Summary of General Fund Balance Sheet
as of June 30, 2011, 2012, 2013, 2014, 2015 and 2016

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
ASSETS						
Cash and Investments						
Cash in County Treasury	\$7,280,382	\$8,287,352	\$9,329,475	\$16,350,865	\$63,791,598	\$[127,548,140]
Cash on Hand and in Banks	-	-	510,691	404,609	584,514	725,049
Cash in Revolving Fund	225,000	225,000	225,000	225,000	225,000	225,000
Cash Awaiting Deposit	231,869	371,914	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-	657,089
Deferred Compensation	7,622,667	8,185,424	2,424,401	-	-	-
Accounts Receivable	105,158,177	105,139,872	84,734,409	69,947,333	28,381,376	6,607,783
Prepaid Expenditures	26,601	2,254	55,686	31,329	38,549	37,239
Due from Other Funds	9,732,779	6,742,101	1,827,097	1,004,606	2,691,876	3,051,544
Due from Grantor Governments	-	-	-	-	-	[24,050,115]
Stores Inventory	130,123	119,219	129,180	127,301	126,019	132,216
	<u>\$130,407,598</u>	<u>\$129,073,136</u>	<u>\$99,235,939</u>	<u>\$88,091,043</u>	<u>\$95,838,932</u>	<u>\$163,034,175</u>
Total Assets						
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$14,137,017	\$14,913,987	\$10,514,617	\$14,459,023	\$26,960,108	\$33,377,290
TRANS Payable	50,000,000	75,000,000	60,000,000	26,000,000	-	-
Deferred Compensation	7,622,667	8,185,424	2,424,401	-	-	-
Deferred revenue ⁽¹⁾	5,062,889	1,767,694	1,709,477	2,343,216	20,620,188	27,910,917
Due to other funds	19,185,601	8,092,536	5,178,099	3,794,364	3,474,339	3,813,353
Total Liabilities	<u>\$96,008,174</u>	<u>\$107,959,641</u>	<u>\$79,826,594</u>	<u>\$46,596,603</u>	<u>\$51,054,635</u>	<u>\$65,101,560</u>
FUND BALANCES						
Total Fund Balances	<u>\$34,399,424</u>	<u>\$21,113,495</u>	<u>\$19,409,345</u>	<u>\$41,494,440</u>	<u>\$44,784,297</u>	<u>\$97,932,615</u>
Total Liabilities and Fund Balances	<u>\$130,407,598</u>	<u>\$129,073,136</u>	<u>\$99,235,939</u>	<u>\$88,091,043</u>	<u>\$95,838,932</u>	<u>\$163,034,175</u>

⁽¹⁾ "Unearned revenue" in Audited Financial Report for fiscal year 2013-14 and 2015-16.
Source: District Audited Financial Report for fiscal years 2010-11 through 2015-16.

District Budget Process and County Review

State law requires school districts to adopt a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Sacramento County Superintendent of Schools (the "County Superintendent").

The County Superintendent must review, conditionally approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget

into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 ("AB 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of AB 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent in that fiscal year or in the net succeeding year. The District self-certified with the County Office of Education a positive certification for the first and second interim reports for fiscal year 2016-17.

The following table summarizes the District's adopted general fund budget for fiscal year 2016-17.

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**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
General Fund Budget for Fiscal Year 2016-17**

	2016-17 Original Adopted Budget	2016-17 First Interim Report	2016-17 Second Interim Report ⁽¹⁾
REVENUES			
LCFF Sources	\$365,331,921	\$364,090,020	\$362,726,003
Federal Revenues	45,535,813	46,885,192	50,794,527
Other State Revenues	74,263,554	88,845,034	88,875,034
Other Local Revenues	5,901,083	7,124,897	8,757,272
TOTAL REVENUES	<u>\$491,032,371</u>	<u>\$506,945,144</u>	<u>\$511,152,836</u>
EXPENDITURES			
Salaries:			
Certificated Salaries	\$186,397,275	\$187,182,754	\$186,861,691
Classified Salaries	58,714,203	59,842,290	59,970,301
Employee Benefits	149,592,688	150,443,316	148,125,286
Books and Supplies	20,168,575	22,997,507	21,161,546
Services and Other Operating Expenditures	62,883,399	64,206,572	66,526,952
Capital Outlay	17,060,802	30,556,549	30,545,831
Other Outgo (Transfers of Indirect Costs)	(1,600,327)	(1,590,565)	(1,575,829)
Other Outgo (excluding Transfers of Indirect Costs)	-	20,000	19,794
TOTAL EXPENDITURES	<u>\$493,216,616</u>	<u>\$513,658,427</u>	<u>\$511,635,572</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	\$1,438,122	\$1,438,122	\$1,438,122
Operating Transfers Out	1,730,000	1,592,643	1,601,611
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$(291,878)</u>	<u>\$(154,521)</u>	<u>\$(163,489)</u>
NET INCREASE (DECREASE) IN FUND BALANCE	\$(2,476,122)	\$(6,867,805)	\$(646,224)
GENERAL FUND BALANCE JUNE 30 PRIOR YEAR	\$59,087,121	\$75,719,334	\$75,719,334 ⁽²⁾
ENDING FUND BALANCE JUNE 30	\$56,610,999	\$68,851,529	\$75,073,110

⁽¹⁾ Columns may not sum to totals due to rounding.

⁽²⁾ Does not include \$22,213,281 from Retiree Benefit Fund balance designated for retiree health premiums as a result of a change in accounting treatment.

Source: Sacramento City Unified School District Original Adopted Budget, First Interim Report for fiscal year 2016-17, and Second Interim Report for fiscal year 2016-17.

District Debt Structure

Tax and Revenue Anticipation Notes. To address predictable annual cash flow deficits resulting from the different timing of revenues and expenditures, the District has issued tax and revenue anticipation notes in recent years as shown in the table below. The District's notes are a general obligation of the District, payable from the District's general fund and any other lawfully available moneys. [The District does not expect to issue a Tax and Revenue Anticipation Note in fiscal year 2016-17.]

<u>Issuance Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Due Date</u>
12/01/05	\$25,000,000	4.50%	3.150%	12/01/06
12/14/06	24,475,000	4.00	3.300	12/14/07
11/28/07	30,000,000	3.75	3.270	11/28/08
05/01/11	50,000,000	2.25	1.875	11/02/11
04/05/12	75,000,000	2.00	0.480	10/01/12
04/09/13	60,000,000	1.00	0.250	09/26/13
05/22/14	26,000,000	1.00	0.111	09/30/14

Source: Sacramento City Unified School District.

General Obligation Bonds. On October 19, 1999, voters in the District approved by a two-thirds vote a bond measure authorizing the District to issue \$195,000,000 in general obligation bonds, known locally as "Measure E" bonds. The District sold \$50,000,000 of the Measure E bonds on February 10, 2000, \$45,000,000 of the Measure E bonds on March 27, 2001 (the "Series 2001 Bonds"), \$45,000,000 of the Measure E bonds on May 7, 2002 (the "Series 2002 Bonds"), and \$55,000,000 of the Measure E bonds on August 1, 2004 (the "Series 2004 Bonds"). The District refunded a portion of the Series 2001 Bonds and the Series 2002 Bonds with the issuance of its 2011 General Obligation Refunding Bonds (the "2011 Refunding Bonds") on June 30, 2011. The District also applied a portion of the proceeds of its 2012 General Obligation Refunding Bonds (the "2012 Refunding Bonds") to refund a portion of the Series 2001 Bonds, the Series 2002 Bonds and the Series 2004 Bonds on June 14, 2012. There is no remaining unissued authorization under Measure E, and the 2011 Refunding Bonds and 2012 Refunding Bonds remain outstanding.

On November 5, 2002, voters in the District approved by 55% or more a bond measure authorizing the District to issue \$225,000,000 in general obligation bonds, known locally as "Measure I" bonds. The District sold \$80,000,000 of the Measure I bonds on March 1, 2003 (the "2002 Series A Bonds"), \$80,000,000 of the Measure I bonds on July 1, 2005 (the "Series 2005 Bonds"), and \$64,997,966 of the Measure I bonds on November 14, 2007 (the "Series 2007 Bonds"). The District applied a portion of the proceeds of its 2012 Refunding Bonds to refund the 2002 Series A Bonds on June 14, 2012. The District refunded a portion of the Series 2005 Bonds with the issuance of its 2014 General Obligation Refunding Bonds (the "2014 Refunding Bonds") on January 30, 2014, and refunded the remaining outstanding Series 2005 Bonds and a portion of the outstanding Series 2007 Bonds with the issuance of its 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds") on January 28, 2015. There is no remaining unissued authorization under Measure I, and a portion of the Series 2007 Bonds, together with the 2012 Refunding Bonds, the 2014 Refunding Bonds and the 2015 Refunding Bonds, remain outstanding.

On November 6, 2012, voters in the District approved by 55% or more two bond measures known locally as "Measure Q" bonds and "Measure R" bonds. Measure Q authorizes the District to issue \$346,000,000 in general obligation bonds. Measure R authorizes the District to issue \$68,000,000 in general obligation bonds. The District sold \$30,000,000 of Measure Q and Measure R bonds on July 16, 2013 (the "2013 Series A Bonds"), \$40,000,000 of Measure Q and Measure R bonds on July 16, 2013 (the "2013 Series B Bonds"), \$66,260,000 of Measure Q bonds on June 4, 2015 (the "2015 Series C-1 Bonds"), \$23,740,000 of Measure Q bonds on June 4, 2015 (the "2015 Series C-2 Bonds") and \$14,000,000 of Measure Q bonds on June 8, 2016 (the "2016 Series D Bonds"). All remain outstanding. Prior to the issuance of the Bonds, \$[] of the Measure Q authorization and \$[] of the Measure R authorization remain unissued.

The District's outstanding general obligation bonds as of [_____] 1, 2017 are summarized in the table below. Approximately \$[_____] of the District's general obligation bonds remain outstanding, not including the Bonds.

<u>Issue Name</u>	<u>Issuance Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstan ding</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
2011 Refunding Bonds	06/30/2011	\$79,585,000	\$64,405,000	2.00-5.50%	2016-2029
2012 Refunding Bonds	06/14/2012	113,245,000	103,345,000	4.00-5.25	2016-2026
2002 Series 2007	11/14/2007	64,997,966	30,457,966	4.55-5.00	2015-2032
2013 Series A	07/16/2013	30,000,000	13,090,000	2.00-5.25	2015-2025
2013 Series B	07/16/2013	40,000,000	40,000,000	5.65	2038
2014 Refunding Bonds	01/15/2014	44,535,000	44,365,000	3.00-5.00	2015-2027
2015 Refunding Bonds	01/28/2015	32,740,000	32,575,000	5.00	2015-2030
2015 Series C-1	06/04/2015	66,260,000	66,260,000	2.00-5.00	2018-2040
2015 Series C-2	06/04/2015	23,740,000	23,740,000	0.70-1.20	2016-2017
2016 Series D	06/08/2016	14,000,000	[_____]	2.00-4.00	2017-2041

Source: Sacramento City Unified School District.

Voter-approved bonds and bonds issued to refund such bonds are payable from a special *ad valorem* property tax authorized to be levied by the County as necessary to repay the amounts coming due in each year. See the table above for a description of principal owed on all bonds outstanding.

Pension Obligations. In June 2000, the District entered into a joint exercise of powers agreement with the Yolo County Office of Education to form the California Administrative Services Authority (“**CASA**”). See “—CASA Pension Program and Pension Program Revenue Bonds” below. In 2002, CASA issued \$6,295,000 of its California Administrative Services Authority 2002 Revenue Bonds (Sacramento City Unified School District Pension Financing) (the “**CASA Bonds**”). CASA loaned a portion of the proceeds of the CASA Bonds to the District under a Loan Agreement (the “**Loan Agreement**”), dated as of January 1, 2002, between the Authority and the District. [The final payment was made January 1, 2017.]

Certificates of Participation. On April 18, 2001, Certificates of Participation (“**2001 COPs**”) of \$43,580,000 were issued with fixed interest rates ranging from 4.1% to 5.0% maturing on March 1, 2031, for the advance refunding of Series 1999C COPs (with a remaining principal obligation of \$29,590,000) and to provide additional capital for construction projects. With the payment of \$30,000,000 to the Escrow Agent to advance refund and defease the District's 1999C COPs, the 1999C COPs are considered to be defeased, and the obligations have been removed from the District's financial statements. The 2001 COPs were prepaid with a portion of the proceeds of the Lease Revenue Bonds (as defined below).

On July 11, 2002, the District issued \$58,000,000 of Variable Rate COPs (“**2002 Variable Rate COPs**”) for the advance refunding of 1998 Series A COPs (with a remaining principal amount of \$13,750,000) and 1999 Series D COPs (with a remaining obligation of \$15,480,000) and to provide additional capital for construction projects. With the payment of \$29,230,000 to the Escrow Agent to advance refund and defease the District's 1998 Series A COPs and the 1999 Series D COPs, the District's 1998 Series A COPs and the 1999 Series D COPs are considered to be defeased. The 2002 Variable Rate COPs were remarketed on March 14, 2011 in the aggregate principal amount of \$48,020,000. Interest on these Variable Rate COPs was based on the SIFMA Term Floater Rate, determined by a remarketing agent. The 2002 Variable Rate COPs were prepaid with a portion of the proceeds of the Lease Revenue Bonds.

On January 16, 2014, \$44,825,000 of Lease Revenue Refunding Bonds, 2014 Series A were issued by the Sacramento City Schools Joint Powers Financing Authority (the “**Authority**”), simultaneously with \$29,460,000 of Lease Revenue Refunding Bonds, 2014 Series B, issued by the Authority by private placement (collectively, the “**Lease Revenue Bonds**”), to prepay all outstanding 2001 COPs and to purchase all outstanding 2002 Variable Rate COPs on March 1, 2014, the date that the SIFMA Term Floater Rate Mode was scheduled to expire and the date the 2002 Variable Rate COPs became subject to mandatory tender (the “**Mandatory Tender Date**”). The District

purchased all outstanding 2002 Variable Rate COPs on the Mandatory Tender Date with a portion of the proceeds of the Lease Revenue Bonds. The final maturity date for the Lease Revenue Bonds is March 1, 2040. The minimum base rental payment is \$3,147,750 in 2039 and the maximum base rental payment is \$5,529,383 in 2028.

The following table sets forth the annual debt service schedule for the Lease Revenue Bonds.

**Sacramento City Schools Joint Powers Financing Authority
Lease Revenue Refunding Bonds, 2014 Series A and Series B
Annual Debt Service**

Period Ending	Principal	Interest	Total
3/1/2017	\$2,265,000.00	\$3,202,604.00	\$5,467,604.00
3/1/2018	2,355,000.00	3,111,824.00	5,466,824.00
3/1/2019	2,445,000.00	3,017,444.00	5,462,444.00
3/1/2020	2,570,000.00	2,897,014.00	5,467,014.00
3/1/2021	2,695,000.00	2,770,334.00	5,465,334.00
3/1/2022	2,825,000.00	2,637,404.00	5,462,404.00
3/1/2023	2,970,000.00	2,497,974.00	5,467,974.00
3/1/2024	3,115,000.00	2,351,294.00	5,466,294.00
3/1/2025	3,265,000.00	2,197,364.00	5,462,364.00
3/1/2026	3,450,000.00	2,036,298.00	5,486,298.00
3/1/2027	3,635,000.00	1,893,054.50	5,528,054.50
3/1/2028	3,785,000.00	1,744,383.00	5,529,383.00
3/1/2029	3,935,000.00	1,589,576.50	5,524,576.50
3/1/2030	4,100,000.00	1,428,635.00	5,528,635.00
3/1/2031	4,265,000.00	1,260,945.00	5,525,945.00
3/1/2032	2,100,000.00	1,086,506.50	3,186,506.50
3/1/2033	2,185,000.00	1,000,616.50	3,185,616.50
3/1/2034	2,240,000.00	911,250.00	3,151,250.00
3/1/2035	2,350,000.00	799,250.00	3,149,250.00
3/1/2036	2,470,000.00	681,750.00	3,151,750.00
3/1/2037	2,590,000.00	558,250.00	3,148,250.00
3/1/2038	2,720,000.00	428,750.00	3,148,750.00
3/1/2039	2,855,000.00	292,750.00	3,147,750.00
3/1/2040	3,000,000.00	150,000.00	3,150,000.00
Total	\$70,185,000.00	\$40,545,271.00	\$110,730,271.00

Source: Sacramento City Unified School District.

Special Tax Bonds. In January 1992, the District established the Community Facilities District No. 2 (“**CFD No. 2**”) for the purpose of financing new and improved school facilities for students generated by new development within the District. Parcels annexed into CFD No. 2 are assessed a special tax, the proceeds of which are to be used directly for expenditures associated with the authorized purposes of CFD No. 2 or to pay the principal of and interest on bonds issued by the District through CFD No. 2. The special tax, the collection of which must be authorized annually, is due upon the issuance of a parcel’s building permit, and in no case shall continue beyond 30 years. [As of the date hereof, no bonds have been issued by CFD No. 2.]

Other Post-Employment Benefits. In addition to the pension benefits described above, the District provides post-employment health benefits for eligible employees who retire early and certain of their dependents. The amount and length of these benefits depends on a variety of factors, including age at retirement, length of service, and status as a certificated, classified or management employee.

Beginning in fiscal year 2008-09, the District was required to implement Governmental Accounting Standards Board Statement No. 45 (“**GASB 45**”) which directs certain changes in accounting for post-employment healthcare benefits (“**OPEB**”) in order to quantify a government agency’s current liability for future benefit

payments. GASB 45 is directed at quantifying and disclosing OPEB obligations, and does not impose any requirement on public agencies to fund such obligations. On July 18, 2014, Bickmore Risk Management Services completed an evaluation of the District’s obligations as of July 1, 2013.

The report calculates the value of all future benefits already earned by current retirees and current employees, known as the “actuarial accrued liability” (“AAL”). [As of July 1, 2015 the most recent actuarial valuation date, the District had an actuarial accrued liability of approximately \$618.8 million for 3,476 current retirees and beneficiaries and 4,006 additional future participants. For fiscal year 2015-16, the report calculates the AAL to be \$664.9 million. The AAL is an actuarial estimate that depends on a variety of assumptions about future events such as health care costs and beneficiary mortality. Every year, active employees earn additional future benefits, an amount known as the “normal cost”, which is added to the AAL. The report estimated the normal cost at approximately \$17.6 million as of July 1, 2013 and approximately \$18.7 million for the fiscal year beginning June 1, 2015. To the extent that the District has not set aside moneys in an OPEB trust with which to pay these accrued and accruing future liabilities, there is an *unfunded* actuarial accrued liability (“UAAL”). As of July 1, 2015, the report calculated the District’s UAAL to be approximately \$603.1 million. The District currently funds the costs of retiree benefits on a pay-as-you-go basis.] [To be updated]

The annual required contribution (“ARC”) is the amount required if the District were to fund each year’s normal cost plus an annual amortization of the unfunded actuarial accrued liability, assuming the UAAL will be fully funded over a 30-year period. If the amount budgeted and funded in any year is less than the ARC, the difference reflects the amount by which the UAAL is growing. For the fiscal year ending June 30, 2016, the ARC was determined to be approximately \$53.7 million.

In fiscal year 2015-16, the District funded \$[28.3] million in pay-as-you-go expenditures. The District’s fiscal year 2016-17 projected pay-as-you-go expenditure for post-retirement benefits is \$[17.5] million.

The District contributed funds to the California Employers’ Retiree Benefit Trust (the “CERBT”) in the total recognized value of approximately \$10.3 million as of fiscal year ending June 30, 2015 and \$9.0 million in fiscal year 2015-16. Any additional assets contributed to the CERBT will be applied to offset the AAL and decrease the UAAL as of the District’s next valuation report. The District expects to contribute approximately \$[___] million to the trust in fiscal year 2016-17.

Capital Lease. The District leases office equipment, computers and buses under long-term lease purchase agreements, payable from the general fund of the District. In accordance with generally accepted accounting principles, the District capitalizes these lease purchase agreements within the General Long-Term Debt Account Group. As of June 30, 2016, the schedule of future minimum lease payments was as follows:

<u>Year Ending June 30</u>	<u>Capital Lease Payments</u>
2017	\$50,263
2018	50,263
2019	50,263
2020	26,287
	<hr/>
Total Payments	\$117,076
Less: Interest Portion	(13,611)
	<hr/>
Net Minimum Lease Payments	\$163,465

Source: Sacramento City Unified School District.

Labor Relations

The District employs 2,183 full-time-equivalent (“FTE”) certificated (non-management) employees, 1,188 FTE classified employees, and 251 FTE management and supervisory/other employees. District employees are represented by employee bargaining units as shown in the following table:

**Sacramento City Unified School District
Labor Organizations**

[To be updated.]

<u>Labor Organization</u>	<u>FTE Employees Represented⁽¹⁾</u>	<u>Contract Expiration⁽²⁾</u>
Sacramento City Teachers Association	2,029	[June 30, 2016]
Service Employees International Union	1,059	[June 30, 2017]
United Professional Educators	132	[June 30, 2016]
Teamsters	70	[June 30, 2017]
Classified Supervisors Association	10	[June 30, 2017]
Total	3,300	

⁽¹⁾ Excluding vacancies.

⁽²⁾ [The contracts may be renegotiated prior to expiration if revenues for fiscal year 2015-16 exceed certain levels.]

Source: Sacramento City Unified School District

[In 2014, the Sacramento City Teachers Association (SCTA) filed an action against the District alleging that the District altered its members’ benefits unilaterally. The District and SCTA have reached an agreement resolving SCTA’s concerns regarding unit member benefits. The SCTA also filed a claim against the District alleging that the District failed to comply with a Memorandum of Understanding on counselor allocations, and seeks approximately \$2-3 million in addition to compensatory damages. The matter has been submitted to arbitration. The District cannot predict the outcome of the arbitration.] [To be updated]

Retirement Benefits

CalSTRS. The District participates in the State Teachers’ Retirement System (“CalSTRS”) for all full-time and some part-time certificated employees. Contributions to CalSTRS are fixed in statute. In fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Prior to fiscal year 2014-15 and unlike typical defined benefit programs, neither the CalSTRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as “pre-enhancement benefits”) within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2015, an actuarial valuation (the “2015 CalSTRS Actuarial Valuation”) for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$76.2 billion, an increase of approximately \$3.48 billion from the June 30, 2014 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2015, June 30, 2014 and June 30, 2013, based on the actuarial assumptions, were approximately 68.5%, 68.5% and 66.9%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The following are certain of the actuarial assumptions set forth in the 2015 CalSTRS Actuarial Valuation: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2015 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPR (as defined herein). See “—California Public Employees’ Pension Reform Act of 2013” below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

On February 1, 2017, the State Teachers’ Retirement Board voted to adopt revised actuarial assumptions reflecting members’ increasing life expectancies and current economic trends. The revised assumptions include a

decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor. Due to the revised actuarial assumptions, among other factors, CalSTRS projects that the June 30, 2016 actuarial valuation will reflect a decrease in overall funded ratio of its defined benefit program from 68.5% to approximately 64% based on the actuarial value of assets.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2015 CalSTRS Actuarial Valuation noted that, as of June 30, 2015, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 33.439% over the next 30 years.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the next three years. The State’s total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to Assembly Bill 1469, school districts’ contribution rates will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2016	12.58%
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The District’s employer contribution to CalSTRS from the general fund for fiscal years 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 were \$14,823,475, \$14,075,308, \$14,021,893, \$15,447,858, and \$19,820,280 respectively. The District projects employer contributions to CalSTRS of approximately \$32.0 million for fiscal year 2016-17. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. The District also participates in the California Public Employees’ Retirement System (“CalPERS”) for all full-time and some part-time classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS. All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts’ participating in CalSTRS, the school districts’ contributions to CalPERS fluctuate each year and include a normal cost component

and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

According to the CalPERS Schools Pool Actuarial Valuation as of June 30, 2015, the CalPERS Schools plan had a funded ratio of 77.5% on a market value of assets basis. The funded ratio, on a market value basis, as of June 30, 2014, June 30, 2013, June 30, 2012, June 30, 2011 and June 30, 2010 was 86.6%, 80.5%, 75.5%, 78.7% and 69.5%, respectively. According to the actuarial valuation as of June 30, 2014, the latest increase in the funded ratio was mainly due to the investment return for 2013-14 being greater than expected. On April 17 2013, the CalPERS Board of Administration approved a recommendation changing the CalPERS amortization and smoothing policies intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2015 valuation, CalPERS employs an amortization and smoothing policy that will apportion all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period (as compared to the previous policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). In November 2015, the CalPERS Board of Administration approved a proposal pursuant to which the discount rate would be reduced by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the then-current discount rate of 7.5% by at least four percentage points. In December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5% to 7.375% for fiscal year 2017-18, 7.25% for fiscal year 2018-19, and 7.0% beginning fiscal year 2019-20. The new discount rates will take effect beginning July 1, 2017 for the State and July 1, 2018 for school districts. The change in the assumed rate of return is expected to result in increases in the District's normal costs and unfunded actuarial liabilities.

In April 2016, CalPERS approved an increase to the contribution rate for school districts from 11.847% during fiscal year 2015-16 to 13.888% during fiscal year 2016-17. In February of 2014, the CalPERS Board of Administration adopted actuarial demographic assumptions that take into account greater life expectancies of public employees. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. These new assumptions will apply beginning with the June 30, 2015 valuation for the schools pool, setting employer contribution rates for fiscal year 2016-17. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase-in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The District is required to contribute toward CalPERS, at a State-determined percentage of CalPERS-eligible salaries. For fiscal year 2015-16, the contribution percentage was 11.847% and is 13.888% for fiscal year 2016-17. The District's total general fund employer contributions to CalPERS for fiscal years 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 were \$6,640,921, \$6,381,013, \$6,471,351, \$6,954,207, and \$7,577,683 respectively. The District projects employer contributions to CalPERS of approximately \$7.4 million for fiscal year 2016-17. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPR (see "California Public Employees' Pension Reform Act of 2013" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

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

factor” (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

The Reform Act also implements certain other changes to CalPERS and CalSTRS including the following: (a) all new participants enrolled in CalPERS and CalSTRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalSTRS and CalPERS are both required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for CalSTRS members who retire with 25 years of service), and (c) “pensionable compensation” is capped for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for CalSTRS and CalPERS members not participating in social security.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make (except as already announced). CalSTRS and CalPERS are more fully described in Notes 8 and 9 to the District’s financial statements attached hereto as “APPENDIX C – FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016.”

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, GASB 67, Financial Reporting for Pension Plans (“**GASB 67**”), which addresses financial reporting for pension plans, and GASB 68, Accounting and Financial Reporting for Pensions (“**GASB 68**”), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements change how governments calculate and report the costs and obligations associated with pensions. GASB 67 replaced requirements of GASB 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and GASB 68 replaced the requirements of GASB 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replaced the requirements of GASB 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government’s balance sheet (such unfunded liabilities typically just included as notes to the government’s financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. GASB 67 took effect in fiscal years beginning after June 15, 2013, and GASB 68 took effect in fiscal years beginning after June 15, 2014. For more information regarding the District’s pension liability, see Notes 8 and 9 of the District’s financial statements attached hereto as “APPENDIX C – FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016.”

Accrued Vacation. The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2016, was \$7.9 million.

Restricted Maintenance Reserve Account

As a condition to receiving State modernization or construction funds, the District has agreed to fund a restricted maintenance reserve account in the general fund each year for 20 years. For fiscal years 2015-16 and 2016-17, the minimum amount required to be deposited into the account is the lesser of 3% of the total general fund expenditures for that fiscal year, or the amount the District deposited into the account in fiscal year 2014-15. For fiscal year 2015-16, the District funded a maintenance reserve contribution of approximately \$[___] million or [___]% of the general fund expenditures.

Insurance, Risk Pooling and Joint Powers Arrangement

The District is a member of the Schools Insurance Authority (the “SIA”), a Joint Powers Authority (a “JPA”) which operates as a common risk management and insurance program for property and liability coverage. In June 2004, the Board of Education terminated its relationship with CASA, also a JPA. CASA was intended to offer an alternative retirement system for certain District personnel.

The District is also a member of the California Schools Vision Coalition and the California Schools Dental Coalition.

CASA Pension Program and Pension Program Revenue Bonds

Formation of CASA and the Pension System. In June 2000, the District entered into a joint exercise of powers agreement with the Yolo County Office of Education to form CASA, a State “joint powers authority,” in order to provide administrative services to its members and to offer an alternative retirement system to replace CalPERS and Social Security for certain electing District classified personnel. See “Retirement Benefits” above. In order to participate in the CASA retirement system, District employees took a leave of absence from the District to become employed by CASA, and were contracted back to the District to work in their old positions and functions. Under applicable laws, so long as a public employer offers an acceptable alternative to, and does not participate in, CalPERS and Social Security, neither the employer nor its employees are required to contribute to those systems. By recapturing the Social Security contributions, CASA expected to be able to afford enhanced retirement benefits compared to CalPERS, and thus to attract and retain highly qualified staff for the District.

On April 1, 2004, the Board notified CASA that it intended to terminate the District’s Operating Agreement under which CASA provided staff services to the District, effectively returning those employees to District employment as of July 1, 2004. The District no longer has any employees working for or through CASA.

Since July 1, 2004, the District has resumed making ordinary contributions to CalPERS and Social Security for its former CASA employees. In a settlement agreement with CalPERS reached in January 2007, the District has also agreed to enroll former CASA employees retroactively into CalPERS for the time they were employed by CASA. The retroactive adjustments have been completed and payment to CALPERS for the additional service credit has been made.

Charter Schools

Charter schools operate as autonomous public schools, under charter from a school district, county office of education, or the State Board of Education, with minimal supervision by the local school district. Charter schools receive revenues from the State and from the District for each student enrolled, and thus effectively reduce revenues available for students enrolled in District schools. The District is also required to accommodate charter school students originating in the District in facilities comparable to those provided to regular District students.

Thirteen charter high schools currently operate in the District’s boundaries, four of which are dependent and nine of which are directly funded. One dependent charter elementary school also operates in the District’s boundaries. For the directly-funded schools, the District pays revenue in lieu of property taxes up to the LCFF amount for charter students originating within the District. For fiscal year 2016-17, the District expects to make in-lieu payments in an amount equal to approximately \$[9.9] million.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 (“**Proposition 13**”), which added Article XIII A to the State Constitution (“**Article XIII A**”). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) 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% of the voters of the district, but only if certain accountability measures are included in the proposition. The Measure Q authorization and Measure R authorization under which the Bonds are issued were approved pursuant to clause (iii). Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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 county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the California Constitution

An initiative to amend the State Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979, thereby adding Article XIII B to the State Constitution (“**Article XIII B**”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District’s budgeted appropriations limit from “proceeds of taxes” (sometimes referred to as the “**Gann limit**”) for the 2015-16 fiscal year are equal to the allowable limit of approximately \$[___] million, and estimates an appropriations limit for fiscal year 2016-17 of approximately \$[___] million. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State’s allowable limit.

Article XIII C and Article XIII D of the California Constitution

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

The District levies a special tax in connection with the establishment of CFD No. 2 for the purpose of providing for and financing certain facilities. The District does not impose any other 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 California 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.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency’s governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1,

1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in Santa Clara County Transportation Authority v. Guardino. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). 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-12 school districts and community college districts (collectively, "**K-14 districts**") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State Appropriations Limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 school Appropriations Limits for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 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 could be transferred to schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 school districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 school districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) 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 (the “second test”). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a “credit” to be paid in future years when general fund revenue growth exceeds personal income growth.

Proposition 30

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State’s income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see “– Proposition 98 and Proposition 111” above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 tax increases are temporary and expire at the end of the 2016 and 2019 tax years. The District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see “DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process.”

Proposition 2

Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year’s deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year’s deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the Public School System Stabilization Account) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. Senate Bill 858 (“**SB 858**”) became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a

transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000 students, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000 students, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of greater than 30,000 and fewer than 400,000 students, is required to maintain a reserve for economic uncertainty in an amount equal to 2% of its general fund expenditures and other financing uses. The District does not expect SB 858 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 62, 98, 111 and 218, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

APPENDIX B

THE ECONOMY OF THE DISTRICT

The District encompasses a large portion of the City of Sacramento (the “City”), small portions of the cities of Rancho Cordova and Elk Grove, and adjacent unincorporated areas of Sacramento County. The following economic data for the City and County are presented for information purposes only. The Bonds are not a debt or obligation of the City or the County, and taxes to pay the Bonds are levied only on taxable property located within the District.

Population

The population of the City and County from 2000 through 2016 is provided in the table below.

POPULATION GROWTH City of Sacramento and County of Sacramento 2000 through 2016

Year	City of Sacramento		County of Sacramento	
	Population	Annual % Change	Population	Annual % Change
2000	407,018	–	1,223,499	–
2001	412,918	1.4%	1,248,072	2.0%
2002	423,084	2.5	1,279,588	2.5
2003	429,918	1.6	1,307,189	2.2
2004	436,799	1.6	1,331,910	1.9
2005	442,662	1.3	1,350,523	1.4
2006	445,774	0.7	1,365,214	1.1
2007	452,711	1.6	1,380,172	1.1
2008	458,965	1.4	1,394,510	1.0
2009	463,633	1.0	1,406,168	0.8
2010	466,488	0.6	1,418,788	0.9
2011	469,967	0.7	1,429,653	0.8
2012	472,264	0.5	1,440,456	0.8
2013	474,710	0.5	1,452,666	0.8
2014	477,613	0.6	1,465,654	0.9
2015	482,110	0.9	1,481,803	1.1
2016	485,683 ⁽¹⁾	0.7	1,495,297 ⁽¹⁾	0.9

⁽¹⁾ Provisional estimate.

Source: California Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2001-2010 with 2000 & 2010 Census Counts for City and County of Sacramento for years 2000-2009; California Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011–2016, with 2010 Census Benchmark for City and County of Sacramento for years 2010-2016.

Employment

Set forth in the tables below is information on the County's wage and salary employment, civilian labor force, and unemployment.

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT County of Sacramento 2010 through 2015⁽²⁾

Industry	Employment ⁽¹⁾					
	2010	2011	2012	2013	2014	2015 ⁽²⁾
Agriculture	2,700	2,500	2,600	2,600	2,600	2,600
Mining & Logging	100	100	200	200	200	200
Construction	23,500	22,600	22,800	27,000	28,600	30,700
Manufacturing	19,700	20,400	21,300	20,800	20,900	20,900
Transportation, Warehousing & Public Utilities	81,700	11,500	12,300	13,000	13,000	13,700
Information	13,200	12,600	11,600	11,300	10,000	10,100
Financial Activities	32,100	30,500	30,900	31,500	30,900	32,800
Professional and Business Services	76,300	78,000	83,100	85,900	89,400	87,800
Education and Health Services	68,300	70,300	71,400	88,700	94,400	98,500
Leisure and Hospitality	48,700	49,500	50,300	53,200	56,100	58,200
Other Services	19,900	19,700	19,500	19,500	20,300	20,700
Government	164,100	159,900	156,300	156,200	160,700	162,700
Total	550,300	477,600	482,300	509,900	527,100	538,900

⁽¹⁾ Employment is reported by place of work: it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not sum to totals due to rounding.

⁽²⁾ Most current information available.

Source: California State Department of Employment Development, Labor Market Information Division.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
County of Sacramento
Annual Averages, 2001 through 2016

Year	Civilian Labor Force	Employed Labor Force ⁽¹⁾	Unemployed Labor Force ⁽²⁾	Unemployment Rate ⁽³⁾
2001	624,700	596,400	28,300	4.5%
2002	645,500	609,000	36,500	5.7
2003	657,000	618,300	38,700	5.9
2004	661,600	624,400	37,200	5.6
2005	665,600	632,500	33,100	5.0
2006	670,500	638,600	31,900	4.8
2007	676,800	640,000	36,800	5.4
2008	680,500	631,700	48,800	7.2
2009	681,700	605,000	76,800	11.3
2010	684,700	597,700	87,000	12.7
2011	680,700	598,600	82,000	12.1
2012	682,900	611,400	71,400	10.5
2013	680,000	620,200	59,800	8.8
2014	679,700	630,400	49,300	7.3
2015	689,000	647,600	41,400	6.0
2016	707,400	669,200	38,200	5.4

⁽¹⁾ Includes persons involved in labor-management trade disputes.

⁽²⁾ Includes all persons without jobs who are actively seeking work.

⁽³⁾ This rate is computed from unrounded data: it may differ from rates computed from rounded figures in this table.

Source: California State Department of Employment Development, Labor Market Information Division.

Major Employers

The table below represents the largest employers in the City as set forth in the City of Sacramento Comprehensive Annual Financial Report for fiscal year ended June 30, 2016.

LARGEST EMPLOYERS City of Sacramento

<u>Company</u>	<u>Type of Business</u>	<u>Employees</u>
State of California	Government	73,676
Sacramento County	Government	11,950
University of California, Davis Health System	Healthcare	10,145
U.S. Government	Government	10,007
Sutter Health Sacramento Sierra Region	Managed Healthcare	8,905
Kaiser Permanente	Managed Healthcare	8,885
Dignity Health	Healthcare	7,853
Intel Corporation	Technology	6,000
Elk Grove Unified School District	Education	5,863
City of Sacramento	Government	4,300
Sacramento City Unified School District	Education	4,213

Source: City of Sacramento Comprehensive Annual Financial Report for fiscal year ended June 30, 2016.

Construction Activity

The following tables provide a summary of annual estimated building permit valuations and number of residential building permits for calendar years 2012 through 2016, for the City and for the County.

BUILDING PERMIT ACTIVITY City of Sacramento 2012 through 2016

	2012	2013	2014	2015	2016
Valuation (\$000)					
Residential	\$146,026	\$165,065	\$169,479	\$307,232	\$469,400
Non-Residential	141,264	187,775	216,051	288,312	397,867
TOTAL	\$287,290	\$352,840	\$385,530	\$595,544	\$867,268
Dwelling Units					
Single Family	169	251	257	435	995
Multiple family	286	31	160	813	601
TOTAL	455	282	417	1,248	1,596

Source: Construction Industry Research Board.

BUILDING PERMIT ACTIVITY County of Sacramento 2012 through 2016

	2012	2013	2014	2015	2016
Valuation (\$000)					
Residential	\$440,750	\$603,992	\$570,733	\$897,360	\$948,072
Non-Residential	366,948	424,136	524,071	651,429	981,245
TOTAL	\$807,698	\$1,028,128	\$1,094,804	\$1,548,789	\$1,929,317
Dwelling Units					
Single Family	1,290	1,764	1,547	2,358	2,668
Multiple family	343	145	226	815	609
TOTAL	1,633	1,909	1,773	3,173	3,227

Source: Construction Industry Research Board.

Commercial Activity

The following tables show taxable sales within the City and the County for 2010 through 2014.

TAXABLE SALES City of Sacramento 2010 through 2014 (\$000)

	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾	2013 ⁽¹⁾	2014 ⁽¹⁾
Motor Vehicle & Parts Dealers	\$259,294	\$282,738	\$338,082	\$388,898	\$397,302
Home Furnishings & Appliance Stores	232,782	223,797	203,543	203,675	254,332
Building Material & Garden Equipment	249,593	304,603	258,469	303,311	296,075
Food & Beverage Stores	282,078	291,616	295,149	299,456	320,301
Gasoline Stations	484,980	574,763	612,199	599,365	578,764
Clothing & Clothing Accessories Stores	319,555	331,037	339,108	340,610	329,495
General Merchandise Stores	484,713	500,631	504,732	513,841	505,521
Food Service s& Drinking Places	687,669	718,749	762,531	796,733	848,980
Other Retail Group	455,716	475,042	487,314	506,059	505,414
Total Retail Stores	\$3,456,380	\$3,702,978	\$3,801,126	\$3,951,948	\$4,036,184
All Other Outlets	1,491,067	1,588,997	1,670,192	1,752,173	1,827,038
Total All Outlets	\$4,947,448	\$5,291,975	\$5,471,319	\$5,704,121	\$5,863,222

⁽¹⁾ Columns may not sum to totals due to rounding.
Source: California State Board of Equalization.

TAXABLE SALES
County of Sacramento
2010 through 2014
(\$000)

	2010	2011	2012	2013	2014
Motor Vehicle & Parts Dealers	\$1,618,580	\$1,875,269	\$2,266,802	\$2,586,596	\$2,797,532
Furniture & Home Furnishings Stores	248,592	264,527	278,066	307,647	340,187
Electronics & Appliance Stores	598,142	585,468	606,913	641,067	664,145
Building Material & Garden Equipment	911,945	994,959	1,024,765	1,155,301	1,168,008
Food & Beverage Stores	854,810	900,349	916,005	923,645	959,756
Health & Personal Care Stores	346,264	394,957	412,707	420,284	425,648
Gasoline Stations	1,537,994	1,831,391	1,935,830	1,899,358	1,857,065
Clothing & Clothing Accessories Stores	786,230	800,952	855,369	905,514	921,913
Sporting Goods, Hobby, Musical Instruments, & Book Stores	441,373	439,845	443,795	463,641	448,255
General Merchandise Stores	1,959,729	2,016,537	2,076,421	2,124,820	2,157,986
Miscellaneous Store Retailers	543,302	553,313	563,728	581,804	593,179
Nonstore Retailers	103,390	101,914	132,031	214,417	244,464
Food Services & Drinking Places	1,665,337	1,743,327	1,854,027	1,946,913	2,071,554
Total Retail Stores	\$11,615,687	\$12,502,808	\$13,366,459	\$14,171,006	\$14,649,693
All Other Outlets	5,288,841	5,500,957	5,723,389	5,926,089	6,412,208
Total All Outlets⁽¹⁾	\$16,904,528	\$18,003,765	\$19,089,848	\$20,097,095	\$21,061,901

⁽¹⁾ Columns may not sum to totals due to rounding.
Source: California State Board of Equalization.

Income

The following tables provide a summary of per capita personal income for the County, the State, and the United States, and personal income and annual percent change for the County, for the calendar years shown.

PER CAPITA PERSONAL INCOME 2000 through 2015

Year	Sacramento County	California	United States
2000	\$29,691	\$33,391	\$30,602
2001	31,018	34,091	31,540
2002	31,484	34,306	31,815
2003	32,685	35,381	32,692
2004	34,005	37,244	34,316
2005	35,184	39,046	35,904
2006	36,910	41,693	38,144
2007	37,938	43,182	39,821
2008	38,870	43,786	41,082
2009	38,085	41,588	39,376
2010	38,453	42,411	40,277
2011	40,098	44,852	42,453
2012	41,913	47,614	44,266
2013	42,676	48,125	44,438
2014	43,944	49,985	46,049
2015	46,539	53,741	48,112

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

PERSONAL INCOME
2000 through 2015
(in thousands)

Year	Sacramento County	Annual Percent Change
2000	\$36,518,147	-
2001	39,276,988	7.6%
2002	40,962,722	4.3
2003	43,423,556	6.0
2004	45,869,878	5.6
2005	47,878,798	4.44
2006	50,550,671	5.6
2007	52,398,021	3.7
2008	54,201,689	3.4
2009	53,647,258	(1.0)
2010	54,673,384	1.9
2011	57,564,251	5.3
2012	60,721,694	5.5
2013	62,440,643	2.8
2014	65,126,187	4.3
2015	69,870,482	7.3

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

APPENDIX C

**FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[To Come.]

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”), dated as of _____, 2017, is executed and delivered by the Sacramento City Unified School District (the “District”) in connection with the issuance of \$ _____ aggregate principal amount of Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2017 Series E (the “Measure Q Bonds”) and Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2017 Series C (the “Measure R Bonds” and together with the Measure Q Bonds, the “Bonds”). The Bonds are being issued pursuant to a resolution (the “Resolution”) adopted by the Board of Education of the District on [April 6], 2017, and in accordance with the terms of a Paying Agent Agreement, dated as of May 1, 2017 (the “Paying Agent Agreement”), by and between the District and the County of Sacramento, as paying agent (the “Paying Agent”). The District covenants and agrees as follows:

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

SECTION 2. Definitions. In addition to the definitions set forth in the Paying Agent Agreement, 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 has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean Capitol Public Finance Group, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Holder” shall mean the person in whose name any Bond shall be registered.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean [_____], or the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“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.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District’s fiscal year (presently June 30), which date is April 1, commencing with the Annual Report for the fiscal year of the District ending June 30, 2017, provide to the Participating Underwriter and to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is

prescribed by the MSRB, and may include by 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. Neither the Paying Agent nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. 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(e).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent and the Paying Agent (if the Paying Agent is not the Dissemination Agent). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District and the Paying Agent to determine if the District is in compliance with the first sentence of this subsection (b).

(c) If the District is unable to provide the Annual Report to the MSRB by the date required in subsection (a) of this Section, the District shall send a notice in a timely manner to the MSRB through the EMMA website in substantially the form attached as Exhibit A.

(d) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall file a report with the District and (if the Dissemination Agent is not the Paying Agent) the Paying Agent certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 4(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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) Adopted budget of the District for the current fiscal year, or a summary thereof, and the first Interim Financial Report submitted to the District's governing board in accordance with Education Code Section 42130 (or its successor provision) together with any supporting materials submitted to the governing board.

(c) To the extent not included in the audited financial statement or annual budget of the District as indicated in paragraphs (a) and (b) above, the Annual Report shall also include the following:

1. The Average Daily Attendance for the District for the last completed fiscal year.
2. Assessed Value of taxable property within the District for the current fiscal year.
3. In the event that the Teeter Plan is not in effect, information regarding the Secured Tax Charge and Delinquency for the prior year.

(d) In addition to any of the information expressly required to be provided under subsections (a), (b) and (c) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which there are made, not misleading.

Any or all of the items listed above may be set forth in one or a set of documents or 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 MSRB through the EMMA website. If the document included by

reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(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 not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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 obligated person.

(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, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds, if any;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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; or

7. Appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing notice of the Listed Event described in subsections 5(a)(7) or 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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(e).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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. The Dissemination Agent may resign by providing thirty days written notice to the District and the Paying Agent. The Dissemination Agent shall have no duty to prepare any report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to the Disclosure Certificate. The District hereby appoints Capitol Public Finance Group, LLC, as the initial Dissemination Agent.

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, or 5(a), 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; and

(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.

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(c), 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 Disclosure 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; provided that any such action may be instituted only in Superior Court of the State of California in and for the County of Sacramento or in U.S. District Court in or nearest to the County. 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, provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Sacramento or in U.S. District Court in or nearest to the County.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Governing Law. This Disclosure Certificate is made in the State of California and is to be construed under the Constitution and laws of the State of California, except where federal law applies.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____, 2017

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Chief Business Officer

CONTINUING DISCLOSURE EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

Name of Bond Issue: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2012 (MEASURE Q), 2017
SERIES E

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2012 (MEASURE R), 2017
SERIES C

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated the Date of Issuance. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____ [to be signed only if filed]

APPENDIX F

**COUNTY OF SACRAMENTO
INVESTMENT POLICIES AND PRACTICES
AND INVESTMENT POOL QUARTERLY REPORT**

The following information has been furnished by the Director of Finance, County of Sacramento. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the Director of Finance and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Director of Finance, 700 H. Street, Suite 1710, Sacramento, California 95814.

The Board of Supervisors (the “Board”) of the County last adopted an investment policy (the “County Investment Policy”) in December 2016. State law requires the Board to approve any changes to the investment policy.

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this APPENDIX G has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in 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 "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Bonds, "Issuer" means the District, and "Agent" means the Paying Agent. The District notes that it will issue one fully registered certificate for each maturity of the Bonds in the principal amount of such maturity, and suggests that this is what the first numbered paragraph below intends to convey.

1. The Depository Trust Company ("**DTC**"), New York, NY, will act as securities depository for the securities (the "**Securities**"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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**"). DTC has a Standard & Poor's 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.

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

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

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

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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.

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

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

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

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”), dated as of _____, 2017, is executed and delivered by the Sacramento City Unified School District (the “District”) in connection with the issuance of \$_____ aggregate principal amount of Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2017 Series E (the “Measure Q Bonds”) and Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2017 Series C (the “Measure R Bonds” and together with the Measure Q Bonds, the “Bonds”). The Bonds are being issued pursuant to a resolution (the “Resolution”) adopted by the Board of Education of the District on [April 6], 2017, and in accordance with the terms of a Paying Agent Agreement, dated as of May 1, 2017 (the “Paying Agent Agreement”), by and between the District and the County of Sacramento, as paying agent (the “Paying Agent”). The District covenants and agrees as follows:

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

SECTION 2. Definitions. In addition to the definitions set forth in the Paying Agent Agreement, 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 has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean Capitol Public Finance Group, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Holder” shall mean the person in whose name any Bond shall be registered.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean [_____], or the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“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.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District’s fiscal year (presently June 30), which date is April 1, commencing with the Annual Report for the fiscal year of the District ending June 30, 2017, provide to the Participating Underwriter and to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by 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. Neither the Paying Agent nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. 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(e).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent and the Paying Agent (if the Paying Agent is not the Dissemination Agent). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District and the Paying Agent to determine if the District is in compliance with the first sentence of this subsection (b).

(c) If the District is unable to provide the Annual Report to the MSRB by the date required in subsection (a) of this Section, the District shall send a notice in a timely manner to the MSRB through the EMMA website in substantially the form attached as Exhibit A.

(d) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall file a report with the District and (if the Dissemination Agent is not the Paying Agent) the Paying Agent certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided to the MSRB.

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

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 4(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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) Adopted budget of the District for the current fiscal year, or a summary thereof, and the first Interim Financial Report submitted to the District's governing board in accordance with Education Code Section 42130 (or its successor provision) together with any supporting materials submitted to the governing board.

(c) To the extent not included in the audited financial statement or annual budget of the District as indicated in paragraphs (a) and (b) above, the Annual Report shall also include the following:

1. The Average Daily Attendance for the District for the last completed fiscal year.
2. Assessed Value of taxable property within the District for the current fiscal year.
3. In the event that the Teeter Plan is not in effect, information regarding the Secured Tax Charge and Delinquency for the prior year.

(d) In addition to any of the information expressly required to be provided under subsections (a), (b) and (c) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which there are made, not misleading.

Any or all of the items listed above may be set forth in one or a set of documents or 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 MSRB through the EMMA website. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(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 not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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 obligated person.

(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, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds, if any;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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; or
7. Appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing notice of the Listed Event described in subsections 5(a)(7) or 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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(e).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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. The Dissemination Agent may resign by providing thirty days written notice to the District and the Paying Agent. The Dissemination Agent shall have no duty to prepare any report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to the Disclosure Certificate. The District hereby appoints Capitol Public Finance Group, LLC, as the initial Dissemination Agent.

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, or 5(a), 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; and

(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.

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(c), 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 Disclosure 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; provided that any such action may be instituted only in Superior Court of the State of California in and for the County of Sacramento or in U.S. District Court in or nearest to the County. 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, provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Sacramento or in U.S. District Court in or nearest to the County.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Governing Law. This Disclosure Certificate is made in the State of California and is to be construed under the Constitution and laws of the State of California, except where federal law applies.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____, 2017

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By _____
Chief Business Officer

CONTINUING DISCLOSURE EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

Name of Bond Issue: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2012
(MEASURE Q), 2017 SERIES E

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2012
(MEASURE R), 2017 SERIES C

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated the Date of Issuance. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By _____ [to be signed only if filed]

BOND PURCHASE AGREEMENT

 \$[PAR1]
 Sacramento City Unified School District
 (County of Sacramento, State of California)
 General Obligation Bonds,
Election of 2012 (Measure Q), 2017 Series E

and

 \$[PAR2]
 Sacramento City Unified School District
 (County of Sacramento, State of California)
 General Obligation Bonds,
Election of 2012 (Measure R), 2017 Series C

_____, 2017

Board of Education
Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824

Ladies and Gentlemen:

The undersigned, [UNDERWRITER] (the “Underwriter”), hereby offers to enter into this Bond Purchase Agreement (the “Purchase Contract”) with the Board of Education of the Sacramento City Unified School District (the “District”), acting through its Authorized District Representative (as such term is defined in the hereinafter defined Resolution). The offer made hereby is subject to acceptance by the District by execution and delivery of this Purchase Contract to the Underwriter at or prior to 11:59 p.m., California time, on the date hereof, but it shall be irrevocable until such time as it is sooner accepted or rejected by the District. Upon acceptance of this offer by the District in accordance with the terms hereof, this Purchase Contract will be binding upon the District and upon the Underwriter.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the District for offering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the (i) \$[PAR1] aggregate principal amount of the Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2017 Series E (the “2017 Series E Bonds”), at the purchase price of \$[_____], which has been computed as the aggregate principal amount of the 2017 Series E Bonds (\$[PAR1]) plus [net] original issue premium thereon (\$[_____]), less

Underwriter's discount (\$[_____]), and (ii) \$[PAR2] aggregate principal amount of the Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2017 Series C (the "2017 Series C Bonds," and together with the 2017 Series E Bonds, the "Bonds"), at the purchase price of \$[_____], which has been computed as the aggregate principal amount of the 2017 Series C Bonds (\$[PAR2]) plus [net] original issue premium thereon (\$[_____]), less Underwriter's discount (\$[_____]). All of the [net] original issue premium of the Bonds received by the District will be deposited into the Interest and Sinking Fund established for the Bonds pursuant to the hereinafter defined Paying Agent Agreement.

The District acknowledges and agrees that (a) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the District and the Underwriter; (b) in connection therewith and with the discussion, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of or a financial advisor to the District; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to (i) the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the District on other matters), or (ii) any other obligation of the District except the obligations expressly set forth in this Purchase Contract; and (d) the District has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Bonds. The District acknowledges that it has previously provided the Underwriter with an acknowledgment of receipt of the required disclosure under Rule G-17 of the Municipal Securities Rulemaking Board ("MSRB").

Section 2. The Bonds. The Bonds shall be issued pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law (the "Act"), in accordance with Resolution No. [_____] of the Board of Education of the District (the "Board"), adopted on [April 6], 2017 (the "Resolution") with respect to the Bonds, and in accordance with that certain Paying Agent Agreement, dated as of May 1, 2017 (the "Paying Agent Agreement"), to be entered into by and between the District and the Director of Finance of the County of Sacramento, as paying agent (the "Paying Agent"). The Bonds shall conform in all respects to the terms and provisions set forth in the Resolution, the Paying Agent Agreement, and in Appendix A to this Purchase Contract. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution or Paying Agent Agreement.

The Bonds shall be dated their date of delivery, expected to be May [___], 2017, shall mature on August 1 in each of the years, in the principal amounts and bear interest at the rates shown in Appendix A. Interest on the Bonds shall be payable on February 1, 2018, and thereafter on February 1 and August 1 in each year until maturity or prior redemption.

The Bonds shall be subject to optional and mandatory sinking fund redemption on the terms and on the dates shown in Appendix A.

[Payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy (the "Policy") to be issued concurrently with the delivery of the Bonds by _____ (the "Bond Insurer").]

The Bonds shall otherwise be as described in the Preliminary Official Statement of the District with respect thereto, dated [_____], 2017 (together with the appendices thereto, any documentation incorporated therein by reference, and any supplements or amendments thereto, the “Preliminary Official Statement”).

One fully registered certificate for each maturity of the Bonds will be prepared and delivered as described in Section 8 hereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, NY (“DTC”), and will be made available to the Underwriter for inspection at such place as may be mutually agreed to by the Underwriter and the District, not less than three Business Days prior to the Closing Date, as defined in Section 3 below. The Underwriter shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract.

Section 3. Offering. The Underwriter hereby certifies that it has made a bona fide public offering of all the Bonds as of the date hereof at the initial public offering prices shown in the table attached to Appendix A hereto. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Bonds. On or prior to [May _], 2017 (the “Closing Date”), the Underwriter shall provide the District with information regarding the prices at which a representative portion of each maturity of the Bonds was sold to the public, in such form as Bond Counsel may reasonably request, for purposes of determining the yield on the Bonds.

The District hereby ratifies, approves and confirms the distribution of this Purchase Contract, the Resolution, the Paying Agent Agreement, the Preliminary Official Statement and the Official Statement (defined herein) in connection with the public offering and sale of the Bonds by the Underwriter.

The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement, and hereby agrees that it will provide, consistent with the requirements of MSRB Rule G-32, for the delivery of a copy of the final Official Statement describing the Bonds, dated the date hereof (the “Official Statement”), to each customer who purchases any Bonds during the underwriting period (as such term is defined in MSRB Rule G-11), and to deliver a copy of the Official Statement to the MSRB in electronic format as prescribed by the MSRB on or before the Closing Date, and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Bonds, including, without limitation, MSRB Rule G-32 and 17 CFR Section 240.15c2-12, promulgated by the Securities and Exchange Commission (“Rule 15c2-12”).

The Underwriter hereby agrees that prior to the time the final Official Statement is available, the Underwriter will send to any potential purchaser of the Bonds, upon request, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first-class mail (or other equally prompt means) not later than the first Business Day following the date upon which each such request is received.

The District represents that it has duly authorized and caused the preparation and delivery of the Preliminary Official Statement and it has deemed the Preliminary Official Statement to be final, except for either revision or addition of the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s), redemption provisions and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12, and consents to and ratifies the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the public offering of the Bonds by the Underwriter.

The District will deliver to the Underwriter within seven Business Days from the date hereof, as many copies of the Official Statement as the Underwriter shall reasonably request (not to exceed 150), signed by the Authorized District Representative, substantially in the form of the Preliminary Official Statement with such changes thereto as shall be approved by the Underwriter, which approval shall not be unreasonably withheld.

Section 4. Representations and Agreements of the District. The District represents to and agrees with the Underwriter that, as of the date hereof and as of the date of the Closing:

(a) The District is a school district duly organized and validly existing under the constitution and general laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Purchase Contract, to adopt the Resolution, to enter into the Paying Agent Agreement, and to observe and perform the District's covenants and agreements contained herein and therein.

(c) The District has duly adopted the Resolution in accordance with the laws of the State of California; the Resolution is in full force and effect and has not been amended, modified or rescinded, and all representations of the District set forth in the Resolution are true and correct; the District has duly authorized and approved the execution and delivery of, and the observance and performance by the District of its covenants and agreements contained in the Bonds, the Paying Agent Agreement, and this Purchase Contract, and the District has complied, and will at the Closing be in compliance in all respects, with its obligations in connection with the issuance of the Bonds contained in this Purchase Contract, the Resolution, the Paying Agent Agreement, and the Bonds.

(d) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby. The District gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.

(e) The District represents to the Underwriter that the Preliminary Official Statement has been "deemed final" by the District as of its date within the meaning of

paragraph (a)(2) of Rule 15c2-12, except for the omission of some or all of such information the omission of which is permitted under Rule 15c2-12.

(f) The Preliminary Official Statement as of its date does not, and the Official Statement as of its date will not, and if supplemented or amended, as of the date of any such supplement or amendment, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; excluding in each case any information contained therein relating to DTC or its book-entry-only system; [information contained therein relating to the Bond Insurer or the Policy;] CUSIP numbers of the Bonds; information contained therein describing the investment policy of the County of Sacramento (the “County”), its current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the Director of Finance of the County (the “Director of Finance”)); information provided by the Underwriter regarding CUSIP numbers or the prices or yields at which the Bonds were re-offered to the public, as to all of which the District expresses no view. The District disclaims any obligation after the date of Closing to update the Preliminary Official Statement and the Official Statement, except as set forth in paragraph (g) below.

(g) The District agrees that, for a period of 25 days after the “end of the underwriting period” (as defined in Rule 15c2-12), if any event of which it has actual knowledge occurs which might cause the information in the Official Statement as then in existence to contain any untrue or misleading statement of a material fact or omit to state any fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading, the District shall promptly notify the Underwriter in writing of the circumstances and details of such event. If, as a result of such event or any other event, it is necessary, in the reasonable opinion of the Underwriter, to amend or supplement the Official Statement so that the Official Statement does not contain any untrue or misleading statement of a material fact or omit to state any fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading, and if the Underwriter shall have so advised the District, the District shall forthwith cooperate with the Underwriter in the prompt preparation and furnishing to the Underwriter, at the expense of the District, of a reasonable number of copies of an amendment of or a supplement to the Official Statement, in form and substance satisfactory to the Underwriter, which will so amend or supplement the Official Statement so that, as amended or supplemented, it will not contain any untrue or misleading statement of a material fact or omit to state any fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading. The District shall promptly advise the Underwriter of the commencement of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. Unless the Underwriter otherwise advises the District in writing that the end of the underwriting period shall be another specified date, the end of the underwriting period shall be the Closing Date.

(h) The District will undertake, pursuant to the Paying Agent Agreement and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain enumerated events. A form of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. Based on a review of its prior undertakings under Rule 15c2-12, and except as otherwise disclosed in the Official Statement, the District has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of enumerated events with respect to the last five years.

(i) The issuance of the Bonds, and the execution, delivery and performance of this Purchase Contract, the Resolution, the Paying Agent Agreement, and the Bonds, and the compliance with the provisions hereof and thereof, do not conflict with or constitute on the part of the District a violation of or material default under the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a material default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(j) As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the title of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of revenues or assets of the District pledged or to be pledged or available to pay the principal of and interest on the Bonds, or the pledge thereof, or the levy of any taxes contemplated by the Resolution or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Contract, the Paying Agent Agreement, or the Resolution, contesting the powers of the District or the Resolution or this Purchase Contract or the entitlement of the officers of the District who have signed the Bonds and the various certificates and agreements of the District relating to the issuance and sale of Bonds, to their respective offices; or (iii) in which a final adverse decision could (A) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Contract, the Paying Agent Agreement or the Resolution; (B) declare this Purchase Contract to be invalid or unenforceable in whole or in material part; or (C) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from State of California personal income taxation.

(k) Between the date hereof and the Closing Date, without the prior written consent of the Underwriter, the District will not have issued, nor will the County have issued in the name and on behalf of the District, any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(l) The District has not received a qualified or negative certification in its most recent interim report pursuant to Section 42130 et seq. of the California Education Code.

(m) The District has, and has had, no financial advisory relationship with the Underwriter with respect to the Bonds, nor with any investment firm controlling, controlled by or under common control with the Underwriter.

(n) The District hereby agrees to take any and all actions as may be required by the County or otherwise necessary in order to arrange for the levy and collection of taxes, payment of the Bonds, and the deposit and investment of Bond proceeds. In particular, the District hereby agrees to provide to the Director of Finance a copy of the Resolution, a copy of Appendix A hereto, and the full debt service schedule for the Bonds.

Section 5. Representations and Agreements of the Underwriter. The Underwriter represents to and agrees with the District that, as of the date hereof and as of the Closing Date:

(a) The Underwriter is duly authorized to execute this Purchase Contract and to take any action under this Purchase Contract required to be taken by it, and the undersigned officer of the Underwriter is duly authorized to sign this Purchase Contract on behalf of the Underwriter and to bind the Underwriter hereby.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District and is not prohibited thereby from acting as underwriter with respect to securities of the District.

(c) The Underwriter has not paid or agreed to pay, nor will it pay or agree to pay, any entity, company, firm, or person (including, but not limited to the District's municipal financing consultant, or any officer, agent or employee thereof), other than a bona fide officer, agent or employee working for the Underwriter, any compensation, fee, gift or other consideration contingent upon or resulting from the award of or entering into this Purchase Contract.

(d) The Underwriter has no, and has had no, financial advisory relationship, as that term is defined in Section 53590(c) of California Government Code, with the District with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has, or has had, any such financial advisory relationship.

(e) The Underwriter has reasonably determined that the District's undertaking pursuant to Sections 4(h) and 6(a)(9) hereof to provide continuing disclosure with respect to the Bonds is sufficient to effect compliance with Rule 15c2-12.

Section 6. Conditions to Closing. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of

the Closing Date. The Underwriter's obligations under this Purchase Contract are, and shall be subject at the option of the Underwriter, to the following further conditions at the Closing:

(a) The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District shall be in compliance with each of the agreements made by it in this Purchase Contract.

(b) At the time of the Closing, (i) the Official Statement, the Paying Agent Agreement, the Resolution, this Purchase Contract and the Continuing Disclosure Certificate shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the Resolution, the Paying Agent Agreement, the Continuing Disclosure Certificate, this Purchase Contract or the Official Statement to be performed at or prior to the Closing.

(c) No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, pending or threatened which has any of the effects described in Section 4(j) hereof or contesting in any way the completeness or accuracy of the Official Statement.

(d) At or before the Closing Date, and contemporaneously with the acceptance of delivery of the Bonds, the District will provide to the Underwriter:

(i) a certificate, signed by an official of the District, confirming to the Underwriter that the Preliminary Official Statement as of its date did not, and the Official Statement as of its date and at the time of Closing did not and does not, to the best of the knowledge of said official, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition or affairs of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds; excluding in each case any information contained therein relating to DTC or its book-entry-only system; [information contained therein relating to the Bond Insurer or the Policy;] CUSIP numbers of the Bonds; information contained therein describing the investment policy of the County, its current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the Director of Finance); information provided by the

Underwriter regarding the prices or yields at which the Bonds were re-offered to the public, as to all of which the District expresses no view;

(ii) a certificate or certificates, signed by an official of the County, confirming to the Underwriter that the Preliminary Official Statement as of its date did not, and the Official Statement as of its date and at the Closing Date did not and does not, to the best of the knowledge of said official, solely with respect to the information contained therein describing the County's investment policy, current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the Director of Finance), contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(iii) a certificate, signed by an official of the District (or an opinion of counsel to the District), confirming to the Underwriter that, as of the date of this Purchase Contract and on the Closing Date, there is no litigation pending, with service of process completed, or, to the best of the knowledge of said person, threatened, concerning the validity of the Bonds, the levy of taxes to repay the Bonds or the application of tax proceeds to that purpose, the corporate existence of the District, or the entitlement of the officers of the District who have signed the Bonds and the various certificates and agreements of the District relating to the issuance and sale of Bonds, to their respective offices;

(iv) a certificate or certificates, signed by an official of the District, confirming to the Underwriter that as of the Closing Date all of the representations of the District contained in this Purchase Contract are true, and that the Resolution is in full force and effect and has not been amended, modified or rescinded;

(v) the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel with respect to the issuance of the Bonds ("Bond Counsel"), addressed to the District, approving the validity of the Bonds, substantially in the form set forth as Appendix D to the Official Statement, together with a reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described above;

(vi) the duly executed Tax Certificate of the District, dated the Closing Date, in form satisfactory to Bond Counsel;

(vii) the receipts of the County and [The Bank of New York Mellon Trust Company, N.A.], as Costs of Issuance Custodian ("COI Custodian"), confirming payment by the Underwriter of the respective portions of the purchase price of the Bonds;

(viii) the Continuing Disclosure Certificate of the District, in substantially the form attached to the Preliminary Official Statement;

- (ix) a certified copy of the adopted Resolution;
- (x) an executed copy of the Paying Agent Agreement;
- (xi) an executed copy of this Purchase Contract;
- (xii) an executed copy of the Official Statement;
- (xiii) an executed copy of the [COI Custodian Agreement];

(xiv) a certificate signed by a District official setting forth a projection evidencing that tax rates with respect to the Bonds are projected not to exceed \$60 per \$100,000 of assessed value during the term of the Bonds, and a certificate signed by a County official confirming that the District is in compliance with applicable bonding capacity limitations;

(xv) the letter of Moody's Investors Service to the effect that such rating agency has rated the Bonds "[__]" [assuming the issuance of the Policy by the Bond Insurer, and a rating letter from Moody's Investors Service to the effect that such rating agency has rated the Bonds "[__]" without regard to the issuance of the Policy by the Bond Insurer,] and that [each] such rating has not been revoked or downgraded;

(xvi) [the Policy];

(xvii) [a certificate of the Bond Insurer in form and substance satisfactory to the Underwriter and Bond Counsel;]

(xviii) [an opinion of counsel to the Bond Insurer addressed to the District and the Underwriter in form and substance satisfactory to Bond Counsel and the Underwriter;]

(xix) a supplemental opinion of Bond Counsel in a form acceptable to the Underwriter, dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Appendix B;

(xx) an opinion of [_____], counsel to the Underwriter, dated the Closing Date and addressed to the Underwriter, in form and substance acceptable to the Underwriter; and

(xxi) such additional opinions, certificates, and documents as Bond Counsel or the Underwriter may reasonably request to evidence the truth and correctness, as of the Closing Date, of the representations of the parties contained herein, and of the District contained in the Official Statement, and the due performance or satisfaction by the parties at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(e) On or before the Closing Date, and contemporaneously with the acceptance of delivery of the Bonds and the payment of the purchase price thereof, the Underwriter will provide to the District:

(i) the receipt of the Underwriter, in form satisfactory to the District and signed by an authorized officer of the Underwriter, confirming delivery of the Bonds to the Underwriter and the satisfaction of all conditions and terms of this Purchase Contract by the District (unless waived by the Underwriter), and confirming to the District that as of the Closing Date all of the representations of the Underwriter contained in this Purchase Contract are true, complete and correct in all material respects; and

(ii) the certification of the Underwriter, in form satisfactory to Bond Counsel, regarding the prices at which the Bonds have been reoffered to the public, as described in Section 3 hereof.

Section 7. Termination.

(a) ***By District.*** In the event of the District's failure to deliver the Bonds on the Closing Date, or inability of the District to satisfy the conditions to the obligations of the Underwriter contained herein (unless waived by the Underwriter), or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate.

(b) ***By Underwriter.***

(i) ***Excused.*** If the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing in its sole discretion. The Underwriter may also terminate this Purchase Contract, without any liability therefor, by notification to the District if as of the Closing Date any of the following shall have had a material adverse effect on the marketability or market price of the Bonds, in the reasonable opinion of the Underwriter, upon consultation with the District:

(A) there shall have occurred and be continuing the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California;

(B) there shall be in force a general suspension of trading or other material restrictions not in force as of the date hereof on the New York Stock Exchange or other national securities exchange;

(C) legislation shall have been enacted or introduced by the Congress of the United States, or passed by and still pending before either House of the Congress, or recommended or endorsed to the Congress for passage by the President of the United States, or favorably reported for passage to and still pending before either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or a ruling or regulation shall have been issued by the U.S. Treasury, with respect to federal taxation of interest received on securities of the general character of the Bonds, or legislation shall have been enacted by the State of California which renders interest on the Bonds not exempt from State of California personal income taxes, which in the reasonable opinion of the Underwriter materially adversely affects the marketability or market price of the Bonds;

(D) legislation shall have been enacted, or a decision of a court of the United States shall have been rendered or any action shall have been taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter which, in the opinion of Bond Counsel, has the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Resolution or the Paying Agent Agreement to be qualified under the Trust Indenture Act of 1939, as amended;

(E) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose and there shall be in effect, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, underwriters;

(F) Congress shall have made a formal declaration of war, or the President of the United States shall have ordered a new major engagement in or escalation of military hostilities, or there shall have occurred a declared national emergency that interrupts or causes disorder to the operation of the financial markets in the United States;

(G) the withdrawal or downgrading of any underlying rating or credit watch status or outlook of the District's outstanding indebtedness by a national rating agency; and

(H) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information set forth in the Official Statement, or has the effect that the Official Statement contains

any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(ii) *Unexcused.* In the event the Underwriter shall fail (other than for a reason permitted by this Purchase Contract) to pay for the Bonds upon tender of the Bonds at the Closing, the Underwriter shall have no right in or to the Bonds.

Section 8. Closing. At or before 9:00 a.m., California time, on May [___], 2017, or at such other date and time as shall have been mutually agreed upon by the District and the Underwriter, the District will deliver or cause to be delivered to the Underwriter the Bonds in book-entry form duly executed by the District, together with the other documents described in Section 6(a) hereof; and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof in immediately available funds by federal funds wire, in an aggregate amount equal to such purchase price, plus accrued interest, if any, on the Bonds from the date thereof to the date of such payment, and shall deliver to the District the other documents described in Section 6(d) hereof, as well as any other documents or certificates Bond Counsel shall reasonably require.

Payment for the delivery of the Bonds as described herein shall be made by the Underwriter to the County and the COI Custodian, as appropriate. The Bonds will be delivered through the facilities of DTC in New York, New York, or at such other place as shall have been mutually agreed upon by the District and the Underwriter. All other documents to be delivered in connection with the delivery of the Bonds shall be delivered at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California.

Section 9. Expenses.

(a) The District shall pay the expenses incident to the performance of the District's obligations hereunder from proceeds of the Bonds deposited with the COI Custodian (or from any other source of available funds of the District), which expenses may include: (i) the cost of the preparation and reproduction of the Resolution and the Paying Agent Agreement; (ii) the fees and disbursements of District counsel; (iii) the fees and disbursements of Bond Counsel and Disclosure Counsel; (iv) the costs of the preparation, printing and delivery of the Bonds; (v) the costs of the preparation, printing and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto in the quantity requested by the Underwriter in accordance herewith; (vi) initial rating fees of Moody's Investors Service, together with any travel expenses related thereto; (vii) [bond insurance premium]; (viii) fees and expenses of the Paying Agent for the Bonds; (ix) fees and expenses of the COI Custodian; (xi) fees and expenses of the County; (xii) fees and expenses of the Financial Advisor; and (xiii) expenses for travel, lodging and subsistence for meetings related to the authorization, sale, issuance and distribution of the Bonds, including without limitation, any rating agency visits. The District hereby authorizes the Underwriter to wire on the Closing Date from the purchase price of the Bonds [(i) an amount equal to \$[_____]] to the Bond Insurer for the payment of the premium for the Policy, and (ii) an

amount equal to \$[_____] to the COI Custodian for the payment of all such costs of issuance.

(b) Except as set forth in clause (b) above, all other costs and expenses incurred by the Underwriter as a result of or in connection with the purchase of the Bonds and their public offering and distribution shall be borne by the Underwriter, including, but not limited to (i) clearing house fees, (ii) DTC fees, (iii) CUSIP fees, (iv) fees required to be paid to the California Debt and Investment Advisory Commission (“CDIAC”), (v) fees of counsel to the Underwriter, and (vi) costs or fees of qualifying the Bonds for offer and sale in various states chosen by the Underwriter and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith.

(c) Notwithstanding anything herein to the contrary, the District hereby agrees, in the event the purchase and sale of the Bonds does not occur as contemplated hereunder, to reimburse the Underwriter for any costs described in Subsection 9(a)(xiii) above that are attributable to District personnel.

Section 10. Notices. Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the introductory paragraph hereof) may be given to the District or the Underwriter by delivering the same in writing to the District or the Underwriter at the addresses given below, or such other address as the District or the Underwriter may designate by notice to the other party.

to the District: Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824
Attention: Chief Business Officer

to the Underwriter: [UNDERWRITER]
[ADDRESS]
[ATTENTION]

Section 11. Governing Law. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California.

Section 12. Parties in Interest. This Purchase Contract when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriter, and is solely for the benefit of the District and the Underwriter (including the successors or assigns thereof). No other person shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements in this Purchase Contract of each of the parties hereto shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Bonds hereunder, or (b) any termination of this Purchase Contract.

Section 13. Headings. The headings of the paragraphs and sections of this Purchase Contract are inserted for convenience of reference only and shall not be deemed to be a part hereof.

Section 14. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Authorized District Representative and the Underwriter, and shall be valid and enforceable at the time of such acceptance.

[Remainder of page intentionally left blank]

Section 15. Counterparts. This Purchase Contract, for the purchase and sale of the Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure Q), 2017 Series E and Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2017 Series C, may be executed in several counterparts, which together shall constitute one and the same instrument.

Respectfully submitted,

[UNDERWRITER], as Underwriter

By _____
Authorized Officer

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By _____
Authorized District Representative

Date of Execution: [____], 2017

Time of Execution: _____ p.m.

APPENDIX A

PURCHASE CONTRACT

TERMS OF THE:

\$(PAR1)

Sacramento City Unified School District
(County of Sacramento, State of California)
General Obligation Bonds,
Election of 2012 (Measure Q), 2017 Series E

and

\$(PAR2)

Sacramento City Unified School District
(County of Sacramento, State of California)
General Obligation Bonds,
Election of 2012 (Measure R), 2017 Series C

Interest Rates

See attached Pricing Report from Underwriter as Schedule A.

Principal Payments

See attached Pricing Report from Underwriter as Schedule A.

Terms of Redemption

Optional Redemption of Bonds. The Bonds maturing on or before August 1, 20[___] shall not be subject to redemption prior to their respective stated maturity dates. The Bonds maturing on and after August 1, 20[___], shall be subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20[___], at a redemption price of par plus accrued interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption of Bonds. The \$[_____] Term Bond maturing on August 1, 20[___], is subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

**Mandatory Sinking
Fund Redemption Date
(August 1)**

Principal Amount To Be Redeemed

20__¹

¹ Maturity.

SCHEDULE A

APPENDIX B

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[To be provided by Orrick]

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

TAX-EXEMPT GOVERNMENTAL BONDS TAX COMPLIANCE AND CONTINUING DISCLOSURE COMPLIANCE GUIDELINES

I. Purpose

These guidelines (the “Guidelines”) are adopted by the Board of Education of Sacramento City Unified School District (the “District”), to ensure that interest on tax-exempt governmental bonds of the District (“TEBs”) remains excludable from gross income under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and to ensure compliance with the continuing disclosure undertaking(s) (the “Undertakings”) the District has entered or will enter into pursuant to Securities and Exchange Commission Rule 15c2-12 (the “Rule”) in connection with publicly-offered municipal securities issued by the District.

The Guidelines are intended to formally memorialize certain policies and procedures of the District previously adopted or followed by the District in connection with its issuance of TEBs (“Bonds”).

The District understands compliance with the policies and procedures set forth in the Guidelines is generally required for the continued exclusion of interest on TEBs from federal gross income and, thus, the District will consult with counsel nationally recognized in the area of municipal finance (“Bond Counsel”), in advance, regarding deviations from the facts and expectations as set forth in the closing certifications relating to any issue of Bonds.

II. Ongoing Relationship with Outside Advisors

The District maintains an ongoing relationship with Orrick, Herrington & Sutcliffe (Bond Counsel), and Capitol Public Finance Group, LLC (Financial Advisor), as well as other advisors to serve as a resource for advice regarding the Bonds’ Federal tax compliance.

III. Persons Responsible for Tax Compliance

The Board of Education is the proper authority to adopt a resolution to declare the intent of the District to use Bonds, if applicable, to reimburse for expenditures incurred prior to the borrowing.

The Chief Business Officer (“Tax Compliance Officer”), Gerardo Castillo, as of the date of adoption of these Guidelines, is the primary person to consult with Bond Counsel and other advisors on a continual basis with respect to the Bonds.

In general, the Tax Compliance Officer has the primary responsibility to ensure compliance with the tax requirements relating to all Bonds. As described in these Guidelines, tax requirements vary with respect to the different types of Bonds of the District but include one or more of the following: the expenditure and investment of proceeds of Bonds (“Bond Proceeds”), the use or sale of the assets financed or refinanced with Bond Proceeds (the “Bond-Financed Assets”), limitations on the amount of direct or indirect payments from persons other than another state or local governmental unit (a “Non-Governmental Person”) with respect to

Bond-Financed Assets (“Private Payments,” as described further in Section V.A. of these Guidelines), record-keeping and filing requirements. The Tax Compliance Officer shall review the tax document signed by the District that outlines the federal tax law requirements affecting the TEBs (with respect to any particular issue, the “Tax Certificate”). The Tax Certificate is included as part of the closing transcript for the Bonds.

In particular, the following persons are responsible for compliance with tax requirements during the life of the Bonds or the Bond-Financed Assets:

- The Tax Compliance Officer is responsible for monitoring or approving the requisitions for payment of costs, including through a transmittal to a trustee or paying agent, or a direct reimbursement to the District for costs previously paid to a third party.
- The Tax Compliance Officer is responsible for monitoring the use of Bond-Financed Assets (e.g., facilities, furnishings or equipment) throughout the term of the Bonds (or the expected useful life of the Bond-Financed Assets, if shorter) to identify whether any use of such Bond-Financed Assets is Private Business Use as defined in Section V.A. of these Guidelines. The Tax Compliance Officer is further responsible for monitoring the sale or other disposition of Bond-Financed Assets.
- The Tax Compliance Officer is responsible for monitoring the amount and allocation of Private Payments throughout the term of the Bonds to identify whether such Private Payments exceed the limitations set forth in the Code.
- The Tax Compliance Officer is responsible for ensuring that all of the Bond Proceeds are invested at fair market value at or below the applicable yield restrictions and that any rebate payments are timely calculated and remitted to the IRS.

IV. Expenditures of Bond Proceeds Generally

A. In General

At the issuance of the Bonds, the District must have reasonably expected to spend at least 85% of all proceeds that were expected to be used to finance improvements (which proceeds would exclude proceeds in the reserve fund or for any non-project purpose) within three years of issuance. Other limitations or adjustments may be set out in the Tax Certificate. The District must also have incurred or have reasonably expected to incur, within six months after issuance of the Bonds, binding obligations to unrelated parties involving an expenditure of not less than 5% of such amount of Bond Proceeds, and that completion of the project and allocations of Bond Proceeds to costs would proceed with due diligence. Meeting all these requirements will generally allow the District to invest these project-related Bond Proceeds at an unrestricted yield for three years. See Section VII of these Guidelines for rebate and rebate exception.

B. Assignment of Responsibility and Establishment of Calendar

On the date of issuance of any Bond, the Tax Compliance Officer will identify for that Bond issue:

- The funds and/or accounts into which Bond Proceeds are deposited.
- The types of expenditures expected to be made with the Bond Proceeds deposited into those funds and/or accounts and any expenditures prohibited from being made from such funds or accounts.
- The dates by which all Bond Proceeds described in Section IV. A. of these Guidelines must be spent or become subject to arbitrage yield limitations (“Expenditure Deadlines”) and all interim dates by which funds and/or accounts must be checked to ensure compliance with the applicable Expenditure Deadlines.

C. Expenditure Failures

If any person discovers that an Expenditure Deadline or a restriction on expenditures as described herein has not been met, such person will promptly notify the Tax Compliance Officer who will consult with Bond Counsel to determine the appropriate course of action with respect to such unspent Bond Proceeds or prohibited use of Bond Proceeds. Special action may need to be taken with such unspent or misspent Bond Proceeds, including yield restriction, or redemption of Bonds.

D. Final Allocation

Requests for expenditures will be summarized in a final allocation of Bond Proceeds (“Final Allocation”) in a manner consistent with allocations made to determine compliance with arbitrage yield restriction and rebate requirements (See Section VII of these Guidelines). The Final Allocation will memorialize the assets or portion thereof financed with Bond Proceeds and the assets or portion thereof financed with other funds.

The Final Allocation must occur not later than 18 months after the date of the expenditure or 18 months after the date the facility to which the expenditure relates is completed and actually operating at substantially the level for which it was designed (but in all events not later than 60 days after the end of the fifth year after issuance of the Bonds or 60 days after none of the Bonds are outstanding, if earlier).

The Tax Compliance Officer will be responsible for ensuring that such Final Allocation is made for the Bonds.

E. Records of Expenditures

The Tax Compliance Officer is responsible for maintaining records related to the expenditure of Bond Proceeds including records:

- Identifying all of the assets or portion of assets financed with Bond Proceeds

- Relating to requests for Bond Proceeds, construction contracts, purchase orders, invoices, and payment records
- Relating to costs reimbursed with Bond Proceeds
- Relating to any action taken as a result of a failure to meet the Expenditure Deadlines
- Of the Final Allocation and all supporting documentation

Such records will be retained for the life of the Bonds, plus any refunding bonds, plus three years and may be in the form of documents or electronic copies of documents, appropriately indexed to specific Bond issues and compliance functions.

V. Monitoring of Financed Projects

A. Monitoring of Private Business Use

For each new Bond-Financed Asset, the Tax Compliance Officer will determine the expected use of such Bond-Financed Asset and whether such Bond-Financed Asset is or will be subject to any contracts or other arrangements that may give rise to Private Business Use.

The Tax Compliance Officer will inform the persons responsible for the management and operation of the Bond-Financed Asset (“Asset Managers”) of the Private Business Use restrictions relating to the Bond-Financed Asset.

The Tax Compliance Officer will require Asset Managers to submit any Management Contract with respect to Bond-Financed Assets to the Tax Compliance Officer for review prior to entering such Management Contract. The Tax Compliance Officer will forward such Management Contract to Bond Counsel or to other capable advisors to determine whether such Management Contract complies with the 97-13 Safe Harbors.

No Bond-Financed Asset will be sold, leased or transferred by the Asset Managers without prior approval by the Tax Compliance Officer.

The Tax Compliance Officer will meet periodically with Asset Managers to identify and discuss any existing or planned Private Business Use of Bond-Financed Assets.

B. Monitoring of Private Payments

For each issue of Bonds, the Tax Compliance Officer will review the Tax Certificate and consult with outside advisors, as described below, to determine if the expected use of any Bond-Financed Asset may result in excess Private Business Use. If excess Private Business Use is expected, the Tax Compliance Officer shall consult with Bond Counsel and follow instructions regarding monitoring of Private Payments to ensure that excess Private Payments do not occur.

C. Consultation with Outside Advisors

The District acknowledges that certain refinements, interpretations and exceptions apply to the analysis of Private Business Use and Private Payments and that Bond Counsel and other qualified advisers should be engaged and consulted to review contracts or other information relating to such use of Bond-Financed Assets. In addition, the Final Allocation of Bond Proceeds (see subsection IV. G. above) may affect the Private Business Use and Private Payment determinations. The Tax Compliance Officer will consult periodically with Bond Counsel to review any changes in the law with respect to Private Business Use of Bond-Financed Assets and to identify and discuss any existing or planned Private Business Use of Bond-Financed Assets or sources of revenue that may be considered Private Payments.

D. Identification and Correction of Violations

In the event the use of Bond Proceeds or Bond-Financed Assets or the nature or amount of Private Payments is different from the covenants and representations set forth in the Tax Certificate, the District will contact Bond Counsel in a timely manner to ensure that there is no adverse effect on the tax status of the Bonds. Various remedies are available to the District in the event of certain violations on the limits of use of Bond Proceeds, amounts of Private Payments, the investment of Bond Proceeds, and the use of the Bond-Financed Assets. For example, a change in the use of the Bond-Financed Assets after the issuance of the Bonds that results in excessive Private Business Use or Private Payments may be corrected through a “remedial action” that is described in the Treasury Regulations. Such remedial actions include a defeasance of the portion of the Bonds affected by the excessive Private Business Use or Private Payments. Other actions (or inaction) that potentially adversely affect the status of the Bonds may be corrected through the Voluntary Closing Agreement Program described in IRS Notice 2008-31.

E. Record Keeping Requirements

The Tax Compliance Officer will keep copies of all contracts and arrangements involving the lease, management, sale, operation, service or other use of all Bond-Financed Assets. The Tax Compliance Officer will also maintain and update no less frequently than every year a spreadsheet with respect to each issue of Bonds regarding the cumulative amount of Private Business Use with respect to such issue. Such records will be retained for the life of the Bonds, plus any refunding bonds, plus three years and may be in the form of documents or electronic copies of documents, appropriately indexed to specific Bond issues and compliance functions.

VI. Investment of Proceeds

On the Date of Issue of any Bond, the Tax Compliance Officer will identify for that Bond:

- All of the funds and accounts into which Bond Proceeds are deposited and the applicable yields at or below which such funds must be invested.
- Any funds that are not directly funded with Bond Proceeds which must be invested at or below the yield on the Bonds.

The Tax Compliance Officer will ensure that the investment of Bond Proceeds is in compliance with the applicable yield restrictions contained in the Treasury Regulations.

The Tax Compliance Officer will ensure that all investments, including guaranteed investment contracts (“GICs”) and certificates of deposit purchased with Bond Proceeds will be purchased in compliance with the applicable fair market value requirements of the Treasury Regulations.

The Tax Compliance Officer will obtain regular, periodic statements regarding the investments and transactions involving Bond Proceeds.

The Tax Compliance Officer will keep all records with respect to investments, including:

- The solicitation and all responses received from the bidding of any GICs,
- Information with respect to any investment agreements, including certificates of deposit and GICs,
- United States Treasury Securities-State and Local Government Series subscription information and
- Records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

VII. Arbitrage Yield and Rebate

The District will engage outside providers, as necessary, to assist in the calculation of arbitrage rebate attributable to the investment of Bond Proceeds.

Statements regarding investments and transactions involving Bond Proceeds and other requested documents and information should be provided to the rebate service provider on a reasonable basis.

The Tax Compliance Officer will monitor the arbitrage rebate service provider to assure compliance with required rebate payments, if any, which need to be paid no later than 60 days after each of (1) the fifth year after issuance, (2) each subsequent 5-year period through the term of the Bonds, and (3) the final maturity or redemption date of the issue. The Tax Certificate or tax covenants in other documents may set forth how frequently rebate calculations must be performed.

During the construction period of a capital project, the investment and expenditure of Bond Proceeds are to be monitored and the arbitrage rebate service provider consulted to determine whether the District is meeting any spending exception. Available spending exceptions are in periods of 6 months, 18 months and two years (for construction only), with the 18-month and 2-year exception subject to six-month internal benchmarks. See the Tax Certificate or consult the rebate service provider for more details regarding the spending exceptions.

In the event that a rebate payment is due, the Tax Compliance Officer will ensure that such rebate payment is accompanied by a Form 8038-T.

The Tax Compliance Officer will retain copies of all arbitrage reports, related return filings with the Internal Revenue Service, and copies of cancelled checks with respect to any rebate payments and information statements. The Tax Compliance Officer will also retain copies of any hedge agreements such as swaps or interest-rate caps entered into with respect to the Bonds. Such records will be retained for the life of the Bonds, plus any refunding bonds, plus three years and may be in the form of documents or electronic copies of documents, appropriately indexed to specific Bond issues and compliance functions.

VIII. Continuing Disclosure Compliance: Background Information

Pursuant to the Rule and the Undertakings, the District must file an annual report with the Municipal Securities Rulemaking Board (the “MSRB”) within nine months after the District’s fiscal year end (June 30) (the “Annual Report Filing Deadline”). This annual report must include the audited financial statements of the District and, if specified in the Undertakings, additional information related to the finances and operations of the District (collectively, the “Annual Report”). If the audited financial statements of the District are not available as of the Annual Report Filing Deadline, the Undertakings may allow the District to file unaudited financial statements before the Annual Report Filing Deadline and then file audited financial statements when they become available. The Undertakings for each series of Bonds may require different types of additional financial information and operating data to be included in the Annual Report for each series of Bonds. Copies of the Undertakings for the District’s currently-outstanding Bonds are attached hereto as Exhibit A.

The Rule and the Undertakings also require notice of the occurrence of certain events (“Events”) to be provided to the MSRB within ten (10) business days after the occurrence of the Event if such an Event is determined to be material (a “Material Event Filing”). A list of the Events for which a Material Event Filing may be required under the Rule as of January 30, 2014 is attached hereto as Exhibit B.

The Annual Report and any Material Event Filings must be filed on the MSRB’s Electronic Municipal Market Access (“EMMA”) system (accessible as of the date of adoption of these Guidelines at emma.msrb.org) to the CUSIP numbers for the maturities of each series of Bonds outstanding. If a Material Event Filing only applies to a certain series of Bonds (such as a notice of optional redemption), it needs to be filed only on the CUSIP numbers for the affected series of Bonds.

IX. Persons Responsible for Compliance with Undertakings

If the District has not appointed a Dissemination Agent (as described below), then the Chief Business Officer (the “Disclosure Compliance Officer”), Gerardo Castillo, as of the date of adoption of these Guidelines, has the primary responsibility to ensure compliance with the Undertakings relating to all Bonds. If the District has appointed a Dissemination Agent to assist the District in carrying out its obligations under the Undertakings, the Disclosure Compliance

Officer will work with the Dissemination Agent to ensure compliance with the Undertakings relating to all Bonds.

X. Dissemination Agent; External Advisors

To satisfy its obligations under these Guidelines, the District may appoint or engage a third-party dissemination agent with expertise in compliance with the Rule (the “Dissemination Agent”) to assist the District in carrying out its obligations under the Undertakings. The District may discharge any such Dissemination Agent with or without appointing a successor Dissemination Agent.

As necessary and appropriate, the District shall consult with bond counsel and the District’s legal counsel and financial advisors to ensure that all applicable post-issuance disclosure requirements set forth in the Undertakings are met.

XI. Provision of Annual Reports to MSRB

On or before the Annual Report Filing Deadline, the Disclosure Compliance Officer will review the Undertaking for each series of Bonds then outstanding, will assemble the required contents of the Annual Report for such Bonds and will file on EMMA the Annual Report for such Bonds.

XII. Provision of Material Event Filings to MSRB

The occurrence of certain Events, including payment defaults, requires a Material Event Filing without the need for a materiality determination (i.e. they are deemed material under the Rule). Other Events, such as non-payment related defaults, must be analyzed to determine if the Event is material; if so, a Material Event Filing is required. The Disclosure Compliance Officer will consult with bond counsel regarding any questions as to whether an Event has occurred and what filings are required.

The Disclosure Compliance Officer is to be immediately notified by all employees, officers, Tax Compliance Officers, agents and officials of the District of the occurrence of any listed Event so that he or she may determine whether a Material Event Filing is required pursuant to the Rule and the Undertakings. As soon as the Disclosure Compliance Officer learns of the occurrence of an Event that is deemed material, the Disclosure Compliance Officer will prepare and file, within ten business days of the occurrence of the Event, a Material Event Filing on EMMA.

The Disclosure Compliance Officer will review Exhibit B on a regular basis, and consult with bond counsel or other advisors, as necessary, to update the list of Events under the Rule.

XIII. Recordkeeping; Future Bond Issuance

The Disclosure Compliance Officer will maintain copies of the District’s Annual Reports and Material Event Filings and evidence of filing of the District’s Annual Reports and Material Event Filings in the District’s records.

In connection with any subsequent issuance of Bonds by the District, the Disclosure Compliance Officer shall review and verify any statements concerning the District's compliance with its Undertakings in any offering documents (such as an Official Statement) for such Bonds. After the issuance of such Bonds, the Disclosure Compliance officer will attach a copy of the Undertaking entered into in connection with such Bonds to the copies of District's currently-outstanding Undertakings attached hereto as Exhibit A.

XIV. Identification and Correction of Violations

In the event that the District does not timely file complete information required in any Annual Report or does not timely make a Material Event Filing on EMMA, the District will contact Bond Counsel in a timely manner and undertake any appropriate corrective action that may be necessary to bring the District into compliance with the Rule.

Exhibit A

Copies of Continuing Disclosure Undertakings for District's Bonds

[Attach copies.]

Exhibit B

Material Events Requiring Disclosure

Last Updated: January 30, 2014

*(pursuant to 17 Code of Federal Regulations, §240.15c2-12 (Rule 15c2-12)
Municipal Securities Disclosure)*

In a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the securities being offered in the offering:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.