



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 10.2

Meeting Date: April 3, 2014

Subject: **Approve Resolution No. 2788: Authorizing the Issuance and Sale of the 2013-14 Tax and Revenue Anticipation Notes (TRAN)**

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

Division: Business Services

Recommendation: Approve Resolution No. 2788, Authorizing the Issuance and Sale of the 2013-14 Tax and Revenue Anticipation Notes (TRAN) not to exceed \$35 million.

Background/Rationale: Tax and Revenue Anticipation Notes (TRAN) are authorized by law for use by school districts. TRANs are short-term borrowing instruments used by school districts to meet cash flow short falls of the General Fund caused by the uneven distribution of revenues, primarily state aid and property taxes and the deferral of state aid. TRANs are commonly issued by school districts. Our district has issued TRANs in previous years.

During periods when the TRAN proceeds are not required to meet current operating expenses, the proceeds may be invested in a higher-yield, interest-bearing account. The additional interest earnings help to offset the costs of the TRAN issuance. Due to the state of the current financial market, the interest earned will not completely offset the issuance costs. The cost to the district is estimated to be \$110,000.

District staff is working with a TRAN financing team to assist with the issuance. The financing team includes financial advisory services provided by Capitol Public Finance Group, LLC and bond counsel services provided by Orrick, Herrington and Sutcliffe. The 2013-14 Tax and Revenue Anticipation Notes, not to exceed \$35 million, will be sold by a competitive or negotiated sale on or about May 6, 2014.

Financial Considerations: Potential net cost of approximately \$110,000 is included in the district's budget.

Documents Attached:

1. Executive Summary
2. District Resolution No. 2788
3. Official Notice of Sale
4. Note Purchase Agreement
5. Paying Agent Agreement
6. Preliminary Official Statement
7. Continuing Disclosure Certificate

Estimated Time: 10 minutes

Submitted by: Ken A. Forrest, Chief Business Officer

Approved by: Sara Noguchi, Ed.D., Interim Superintendent

Board of Education Executive Summary

Business Services

Approve Resolution No. 2788: Authorizing the Issuance and Sale of the 2013-14 Tax and Revenue Anticipation Notes (TRAN)

April 3, 2014



I. OVERVIEW/HISTORY:

School districts in California have suffered devastating reductions in funding over the past several years. Cash reserves for most districts are low and Sacramento City Unified School District is no exception. The continued deferral of state revenues has impacted the district to the extent that staff project a negative cash flow in the General Fund by June 30, 2014. Throughout the year, there are three options to assist districts with cash flow issues. First, is the option of inter-fund borrowing. If another fund in the district (Child Development, Nutrition Services, etc.) has cash reserves, the district can “borrow” those funds to get through a negative cash flow period. The district has used this option in the past, however, cash reserves in other funds have declined and there may not be enough cash to cover the General Fund by the end of this year. Another option is dry-period financing or borrowing from the County. From July through the last Monday in April, the County Treasurer will cover a district’s negative cash, up to 85% of anticipated tax collections. A district must have a positive cash flow by that last Monday in April, through May and end the fiscal year with a positive cash flow in June. Dry-period financing is automatically activated should the district have a negative cash position prior to the last Monday in April. The third option is to borrow funds from an outside source. A low cost option available to districts is a Tax Revenue Anticipation Note (TRAN).

A TRAN is a short-term, tax-exempt, interest-bearing note issued by a district in anticipation of taxes and other revenues that will be received later. Because of the economic crises of the state and deferrals in revenues to school districts, many districts are experiencing a spring cash flow deficit in addition to the November shortage of cash. An alternative to a district with this problem is a “cross-year” TRAN. This means that the district receives the funds from a TRAN this fiscal year and will pay it back the following fiscal year from deferred revenues that are expected to be received in July and August of 2014.

The attached resolution, draft preliminary official statement and related documents provide the background for approving the TRAN. On March 20, 2014, these documents were presented to the Board as an information item.

II. DRIVING GOVERNANCE:

California Government Code Title 5, Division 2, Part 1, Chapter 4, Article 7.6, Sections 53850 to 53858 which indicate a local agency may borrow money with the indebtedness to be represented by a note or notes; proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes; note or notes shall be issued pursuant to a resolution authorizing the issuance adopted by the legislative body of the local agency; identifies the types of funds

Board of Education Executive Summary

Business Services

Approve Resolution No. 2788: Authorizing the Issuance and Sale of the 2013-14 Tax and Revenue Anticipation Notes (TRAN)

April 3, 2014



that may be pledged to the payment of the note or notes; any note issued pursuant to this article shall be a general obligation of the local agency; note or notes shall not exceed 85 percent of the estimated amount of uncollected taxes, income, revenue, cash receipts and other moneys.

- Education Code Section 42133 which states “a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds, or any other debt instruments that do not require the approval of the voters of the district, nor may the district cause an information report regarding the debt instrument to be submitted pursuant to subdivision (e) of Section 149 of Title 26 of the United States Code, unless the county superintendent of schools determines pursuant to criteria established by the Superintendent of Public Instruction, that the district’s repayment of that indebtedness is probable.”

III. BUDGET:

The District anticipates issuing \$26 million in notes coming due in September, 2014. The cost of issuance including the underwriter’s discount is estimated to be \$270,000. An estimated amount of premium that will be generated is \$160,000 (assumes 2% coupon at .25% yield). The estimated net cost to the District is \$110,000, including interest and costs of issuance. These funds are included in the district’s budget. The actual yield, discount and interest cost are dependent on market conditions at the time of sale and the District’s credit rating.

IV. GOALS, OBJECTIVES AND MEASURES:

Generate cash through a Tax Revenue Anticipation Note in order to maintain a positive cash flow at June 30, 2014. Throughout the discussion of the district’s financial plan, staff along with the district’s financial advisor from Capitol Public Finance Group, have closely monitored cash and the potential of issuing a TRAN has been discussed with the Board in previous Board meetings.

V. MAJOR INITIATIVES:

- Maintain positive cash flow through June 30, 2014 until dry-period financing through the County Treasurer is available.
- Continuous review of financial options available to the district.

Board of Education Executive Summary

Business Services

Approve Resolution No. 2788: Authorizing the Issuance and Sale of the 2013-14 Tax and Revenue Anticipation Notes (TRAN)

April 3, 2014



VI. RESULTS:

The successful marketing of the TRAN will address the potential impact of a negative cash flow at June 30, 2014. This is another step in addressing the district's short- and long-term financial plan.

VII. LESSONS LEARNED/NEXT STEPS:

- The attached documents are presented to the Board as an action item.
- Continuous review of district's financial plan.

BOARD OF EDUCATION
OF THE
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

RESOLUTION NO. 2788

RESOLUTION PROVIDING FOR THE BORROWING OF FUNDS IN AN AMOUNT NOT TO EXCEED THIRTY-FIVE MILLION DOLLARS FOR FISCAL YEAR 2013-14 AND THE ISSUANCE AND SALE OF THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT 2013-14 TAX AND REVENUE ANTICIPATION NOTES THEREFOR; APPROVING THE FORMS OF A NOTE PURCHASE AGREEMENT, AN OFFICIAL NOTICE OF SALE, A PAYING AGENT AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE AND AN OFFICIAL STATEMENT FOR SAID NOTES; REQUESTING THE COUNTY DIRECTOR OF FINANCE TO ACT AS PAYING AGENT FOR THE NOTES; AND AUTHORIZING OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, pursuant to Sections 53850 to 53858, both inclusive, of the California Government Code, being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 thereof (the "Law"), the Board of Education (the "Board") of the Sacramento City Unified School District (the "District") has found and determined that the sum of not to exceed \$35,000,000 is needed by the District in Fiscal Year 2013-14 to satisfy obligations of the District payable from the General Fund of the District during Fiscal Year 2013-14 before the receipt of taxes, income, revenue, cash receipts and other moneys of the District to be received for or to accrue to the General Fund of the District in Fiscal Year 2013-14 that will be available for such purpose, and that it is necessary that such sum be borrowed for such purpose by the issuance of temporary notes therefor in anticipation of such receipt; and

WHEREAS, the District intends to borrow such sum for such purpose by the issuance and sale of the Notes (as hereinafter defined); and

WHEREAS, it appears, and the Board hereby finds and determines, that the principal amount of such Notes, when added to the interest payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys of the District anticipated to be received for or to accrue to the General Fund of the District in Fiscal Year 2013-14 that will be available for the payment of the interest on and the principal of such Notes; and

WHEREAS, no money has heretofore been borrowed by the District through the issuance of any temporary notes in anticipation of the receipt of, or payable or secured by, any taxes, income, revenue, cash receipts or other moneys of the District to be received for or to accrue to the General Fund of the District in Fiscal Year 2013-14; and

WHEREAS, pursuant to the Law, certain taxes, income, revenue, cash receipts and other moneys of the District which will be received for or accrue to the General Fund of the

District in Fiscal Year 2013-14 can be pledged for the payment of the interest on and the principal of such Notes; and

WHEREAS, this Board deems it necessary and desirable and in the best interests of the District to authorize the sale of said notes by a competitive sale or a negotiated sale; and

WHEREAS, there have been submitted to this Board, and are now on file with the Clerk of this Board, forms of a Paying Agent Agreement, a Note Purchase Agreement, an Official Notice of Sale, a Preliminary Official Statement and a Continuing Disclosure Certificate with respect to and describing said notes; and

WHEREAS, the District has been accorded fiscal accountability status pursuant to Section 42650 of the Education Code of the State of California (the "Education Code"); and

WHEREAS, the District received a qualified certification on its most recent interim budget report and this Board, pursuant to Education Code Section 42133, intends to seek a determination from the Sacramento County Office of Education that the District's repayment of the Notes is probable;

NOW, THEREFORE, THE BOARD OF EDUCATION OF THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT HEREBY FINDS, DETERMINES, DECLARES AND RESOLVES AS FOLLOWS:

Section 1. Recitals. All of the recitals hereinabove set forth are true and correct, and the Board so finds and determines.

Section 2. Amount of Borrowing; Terms of Notes; Payment. Solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys of the District to be received for or to accrue to the General Fund of the District in Fiscal Year 2013-14, the District hereby determines to and shall borrow an aggregate principal sum not to exceed \$35,000,000 by the issuance and sale of temporary notes under the Law, designated the "Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes" (the "Notes"). The maximum true interest cost of the notes shall not exceed 2%.

The Interim Superintendent of the District, the Chief Business Officer of the District, or another officer of the District whom either of the named officers shall designate in writing for this purpose (each, an "Authorized District Representative"), is hereby authorized to determine the aggregate principal amount of the Notes, which sum shall be no greater than the amount recited in the preceding paragraph, or such lesser amount as to which Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District with respect to the Notes ("Bond Counsel"), will deliver an approving opinion regarding the exclusion from gross income for federal tax purposes of interest thereon. The aggregate principal amount of the Notes so determined shall be specified in the Note Purchase Agreement or the Certificate of Award described in Section 9 hereof.

The Notes shall be dated the date of their delivery. The Notes shall mature on a date which is no more than 12 months subsequent to their date of delivery, which date shall be

determined at the time of sale thereof and set forth in Note Purchase Agreement or the Certificate of Award. The Notes shall bear interest commencing on the date thereof, computed on the basis of a 360-day year consisting of twelve 30-day months, at the rate determined at the time of sale thereof and set forth in the Note Purchase Agreement. The principal of and interest on the Notes shall be payable in lawful money of the United States of America to the registered owners of the Notes, as shown on the registration books required to be maintained by the Director of Finance of the County, in Sacramento, California (the "Director of Finance"), pursuant to Section 3(f) hereof. The Notes shall be issued in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof.

The Director of Finance is hereby requested and authorized to act as paying agent for the District with respect to the Notes.

The principal amount of the Notes shall be payable only at the maturity thereof, without option of prior redemption. Interest on the Notes shall be payable at the maturity of the Notes.

Section 3. Registration and Transfer of Notes; Depository.

(a) The Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York (the "Depository"), and registered ownership of the Notes, or any portion thereof, may not thereafter be transferred except:

(i) to any successor of the Depository, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (a "Substitute Depository"); provided, that any successor of the Depository or a Substitute Depository shall be qualified under any applicable laws to provide the service 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 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 (or its successor) because it 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 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 discontinue using a depository for the Notes.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) of this section, upon receipt of all outstanding Notes by the Director of Finance, new Notes (which the District shall prepare or cause to be prepared) shall be executed and delivered and registered in the name of such successor or such Substitute Depository, or its

nominee, as the case may be. In the case of any transfer pursuant to clause (iii) of subsection (a) of this section, upon receipt of all outstanding Notes by the Director of Finance, new Notes (which the District shall prepare or cause to be prepared) shall be executed and delivered in such denominations and registered in the names of such persons as are determined by the Director of Finance.

(c) The District and the Director of Finance shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of this resolution and for all purposes of payment of the interest on and the principal of such Note, notwithstanding any notice to the contrary received by the District or the Director of Finance; and the District and the Director of Finance shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Notes, and neither the District nor the Director of Finance shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners of the Notes or to any other party, except as they may be the registered owner of any Notes as provided in this resolution, and the Director of Finance may rely conclusively on the books maintained pursuant to subsection (f) of this section as to the identity of the registered owners of the Notes.

(d) Notwithstanding any other provisions of this resolution, so long as all outstanding Notes are registered in the name of the Depository or its registered assigns, the District and the Director of Finance shall cooperate with the Depository, as sole registered owner of all outstanding Notes, and its registered assigns in effecting payment of the interest on and the principal of the Notes at the times provided herein, by arranging for payment in such manner that funds for such payment are properly identified and are made available on the date such payments are due; all in accordance with the letter of representations from the District to the Depository, and the Director of Finance may rely on the provisions of such letter of representations to implement the foregoing procedures notwithstanding any inconsistent provisions contained herein.

(e) In the case of any transfer pursuant to clause (iii) of subsection (a) of this section, any Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount of Notes in authorized denominations, upon the books maintained by the Director of Finance pursuant to subsection (f) of this section, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed in form approved by the Director of Finance.

Whenever any Note shall be surrendered for transfer or exchange, the District shall execute and the Director of Finance shall authenticate and deliver a new Note or Notes of authorized denominations for a like aggregate principal amount; provided, that the Director of Finance shall require the registered owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

(f) The Director of Finance will maintain or cause to be maintained, at his office in Sacramento, California, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection by the District. Upon presentation for such

purpose, the Director of Finance shall, under such reasonable regulations as he may prescribe, register or transfer the Notes on such books as hereinabove provided.

(g) If any Note shall become mutilated, the District shall execute, and the Director of Finance shall thereupon authenticate and deliver, a new Note of like tenor bearing a different number in exchange and substitution for the Note so mutilated, but only upon surrender to the Director of Finance of the Note so mutilated, and if any Note shall be lost, destroyed or stolen, evidence of the ownership thereof, and of such loss, destruction or theft, may be submitted to the District and the Director of Finance, and if such evidence is satisfactory to such officer and indemnity satisfactory to such officer shall be given, the District shall execute, and the Director of Finance shall thereupon authenticate and deliver, a new Note of like tenor and bearing a different number in lieu of and in substitution for the Note so lost, destroyed or stolen (or if any such Note shall have matured or shall be about to mature, instead of issuing a substitute Note, the Director of Finance may pay the same without surrender thereof); provided, that the Director of Finance may require payment by the registered owner of a Note of a sum not exceeding the actual cost of preparing each new Note issued pursuant to this subsection and of the expenses which may be incurred by the District and the Director of Finance hereunder. Any Note issued under these provisions in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District, whether or not the Note so alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be entitled to the benefits of this resolution with all other Notes secured by this resolution.

(h) All Notes surrendered for payment or registration of transfer, if surrendered to any person other than the Director of Finance shall be delivered to the Director of Finance and shall be promptly cancelled. The District may at any time deliver to the Director of Finance for cancellation any Notes previously authenticated and delivered hereunder which the District may have acquired in any manner whatsoever, and all Notes so delivered shall promptly be cancelled by the Director of Finance. No Note shall be authenticated in lieu of or in exchange for any Notes cancelled as provided herein, except as expressly permitted hereunder. All cancelled Notes held by the Director of Finance shall be disposed of as directed by the District.

Section 4. Form of Notes. The Notes shall be issued without coupons and shall be substantially in the form and substance set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures after the sale of the Notes and before the execution, authentication and delivery of the Notes.

Section 5. Note Proceeds Fund. The Director of Finance is hereby requested to establish a separate account in the General Fund of the District for the purpose of ensuring the application of the proceeds received from the sale of the Notes for the purpose specified in Section 2 hereof for which the Notes are authorized to be issued, which separate account is hereby designated the "Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes Proceeds Fund" (the "Note Proceeds Fund"). The Director of Finance shall, immediately upon receiving the proceeds of the sale of the Notes, deposit in the Note Proceeds Fund all amounts representing the proceeds of the Notes received from such sale, and all amounts held in the Note Proceeds Fund shall be invested by the Director of Finance in (i) any investments permitted by Sections 53601 and following of the Government Code,

notwithstanding any limitations contained therein as to the maximum proportion of such funds which may be invested in any particular investment, (ii) in investment agreements with a provider or provider's guarantor that is rated "Aa" or better by Standard & Poor's Rating Services, or equivalent rating of any rating agency then rating the Notes, (iii) County's Pooled Investment Fund, or (iv) in the Local Agency Investment Fund within the treasury of the State of California, insofar as such investments are permitted by the investment policy of the Director of Finance of the County; provided that no proceed shall be invested for a term that exceeds the term of the Notes. The proceeds of and earnings on all such investments shall be deposited in the Note Proceeds Fund.

All amounts in the Note Proceeds Fund shall be withdrawn and expended by the District for any purpose for which the District is authorized to expend funds from the General Fund of the District, but only after exhausting funds otherwise available for such purposes (which are not restricted funds) and only to the extent that on any given day such other funds are not then available; provided, that if on the date that is six months from the date of issuance of the Notes all proceeds of the Notes (including investment earnings thereon) shall not have been so withdrawn and spent (treating as unavailable amounts that otherwise would be available amounts but that are held or set aside in a reasonable working capital reserve not exceeding the amount set forth in the Tax Certificate executed by the District in connection with the issuance of the Notes, and in any event not exceeding 5% of the District's total working capital expenditures from its available funds in Fiscal Year 2012-13), the District shall promptly notify Bond Counsel and, to the extent of its power and authority, comply with instructions from Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Internal Revenue Code of 1986 (the "Code"); and for purposes of this paragraph, the "proceeds" of the Notes means the initial offering price of the Notes to the public, as certified to the District by the purchaser(s) of the Notes, plus investment earnings thereon.

Section 6. Pledge of Revenues; Repayment Fund: (a) Unrestricted Revenues. The principal of and interest on the Notes shall be payable from taxes, income, revenue, cash receipts and other moneys of the District received or accrued in Fiscal Year 2013-14 for the General Fund of the District and lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). The Notes shall not constitute a debt of the County or the District and shall be payable only from funds of the District as provided herein.

(b) Covenant to Deposit Unrestricted Revenues; Pledge of Repayment Fund. As security for the payment of the principal of and interest on the Notes, the District hereby pledges and covenants to deposit or caused to be deposited in trust in a special fund designated as the "Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund"), such amounts as shall be necessary to provide for payment of all such sums when due, on the dates and in the amounts, or in the proportions of the total amount due, as shall be specified in the Note Purchase Agreement or Certificate of Award described in Section 9 hereof, from the first Unrestricted Revenues received or accrued during each period specified in the Note Purchase Agreement or Certificate of Award. The Authorized District Representative is hereby authorized to determine that the District shall set aside moneys in the Repayment Fund from the Unrestricted Revenues for repayment of the Notes in up to five periodic deposits; provided, that the last deposit of funds accruing to Fiscal Year 2013-14 shall

be made no later than September 15, 2014. The Director of Finance is hereby requested to create and hold the Repayment Fund, acting as the responsible agent to maintain such fund until the payment of the principal of the Notes and the interest thereon.

The amounts pledged by the District for deposit into the Repayment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the "Pledged Revenues", and are hereby pledged to the repayment of the principal of and interest on the Notes, and such principal and interest shall constitute a first lien and charge on the Pledged Revenues, and shall be payable therefrom, and to the extent not so paid shall be paid from any other money of the District lawfully available therefor.

So long as any of the Notes are outstanding, moneys in the Repayment Fund shall be applied only for payment of principal and interest on the Notes when due in accordance therewith. On such date, the Director of Finance shall apply moneys in the Repayment Fund to the payment of principal of and interest on the Notes then due. Any balance in the Repayment Fund after payment in full of the Notes, or provision therefor, shall be deposited in the General Fund of the District.

Amounts held in the Repayment Fund shall be invested in the same investments permitted by Section 5 of this Resolution. The proceeds and earnings on all such investments shall be deposited in the Repayment Fund.

(c) Other Pledged Money. In the event that there have been insufficient Unrestricted Revenues received by the District to make the required deposit by the third business day prior to the end of any period in which a deposit in the Repayment Fund is required to be made, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from any other money of the District lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in Sections 53856 and 53857 of the Government Code) (the "Other Pledged Money") on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Money are received by the District.

Section 7. Execution of Notes. The President or Vice President of the Board is hereby authorized to execute the Notes by his or her manual or facsimile signature, and the Clerk or Secretary of the Board is hereby authorized to countersign the Notes by his or her manual or facsimile signature. The Notes shall not be valid, however, unless and until the Director of Finance or an authorized deputy thereof shall have manually authenticated such Notes by executing the Certificate of Authentication printed thereon.

Section 8. Tax Covenants; Rebate Fund.

(a) General. The District covenants that, in the event it is subject to rebate as provided in Section 5 of this resolution, it will make all calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury, will segregate and set aside from lawfully available sources the amount such calculations may indicate may be required to be paid to the United States Treasury, and will otherwise at all times do and perform all acts and things necessary and within its power

and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel referred to in Section 5 of this resolution, to ensure that interest paid on the Notes shall, for the purposes of federal income taxes and State of California personal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation. If such calculation is required, the District will immediately set aside, from revenues received or accrued during Fiscal Year 2013-14 or, to the extent not available from such revenues, from any other money lawfully available, the amount of any such rebate in a separate fund which the District hereby agrees to establish and maintain with the Director of Finance which shall be designated the "Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes Rebate Fund."

(b) Remedies Limited to Note Owners. Notwithstanding any other provision of this resolution to the contrary, upon the District's failure to observe, or refusal to comply with, the covenants contained in this section, no one other than the registered owners or former registered owners of the Notes shall be entitled to exercise any right or remedy under this resolution on the basis of the District's failure to observe, or refusal to comply with, such covenants.

(c) Survival of Covenants. The covenants contained in this section shall survive the payment of the interest on and the principal of the Notes.

(d) Reliance on Opinion of Bond Counsel. Notwithstanding any provision of this section, if the District shall provide to the Director of Finance 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 to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the Director of Finance and the District 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 9. Method of Sale.

(a) Competitive Sale: If the Authorized District Representative shall determine, upon consultation with a financial advisor (the "Financial Advisor"), that the Notes are able to be more advantageously sold upon the taking of public bids, the Notes shall be offered by means of an Official Notice of Sale, and such notes shall be sold to the responsible bidder who makes the best responsive bid therefor, after publication of a Notice of Intention to Sell Bonds once at least 5 days (or, if the amount offered is less than \$10 million in principal amount, at least 15 days) before the date of sale in a financial publication generally circulated throughout the State of California or which the Financial Advisor advises is expected to be disseminated among prospective bidders for the Notes. The Official Notice of Sale with respect to the competitively sold Notes shall require that (i) the purchase price of such Notes shall be no less than the principal amount thereof; and (ii) such Notes shall otherwise conform to the limitations specified in this Resolution, including specifically those terms prescribed by Section 2 hereof. The form of Official Notice of Sale on file with the Clerk of this Board is hereby approved, and the Authorized District Representative is hereby authorized to publicize the notice and award the

sale pursuant thereto and pursuant to a Certificate of Award, subject to such changes or revisions to the Official Notice of Sale 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 Certificate of Award.

(b) Negotiated Sale of Notes; Note Purchase Agreement: The Authorized District Representative is hereby authorized, upon consultation with the Financial Advisor, to sell the Notes to an underwriter (the "Underwriter") to be selected by the Authorized District Representative after the review of qualifications of and proposals from underwriters with experience in underwriting California school district notes. The Authorized District Representative, in consultation with the Financial Advisor, may select such underwriter by whatever means they determine will result in the lowest cost of sale to the District. The Note Purchase Agreement, in substantially the form on file with the Clerk of this Board, is hereby approved, and the Authorized District Representative is hereby authorized and directed to execute and deliver the Note 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 Note Purchase Agreement; provided that the Underwriter's compensation shall not exceed 0.50% of the aggregate principal amount of the Notes. The Note Purchase Agreement shall recite the aggregate principal amount, issuance date, maturity date and interest rate of the Notes and shall set forth the dates of deposit and amounts or proportions of Pledged Revenues to be deposited in the Repayment Fund on each such date, all as shall be agreed between the Authorized District Representative and the Underwriter at the time of sale of the Notes, and the Notes as finally executed and delivered shall conform in all respects with the terms recited in the Note Purchase Agreement.

Section 10. Paying Agent Agreement. The form of Paying Agent Agreement, in substantially the form submitted to and on file with the Clerk of this Board, is hereby approved in such form with such additions or changes as the Authorized District Representative shall approve and the Authorized District Representative is hereby authorized to execute and deliver the Paying Agent Agreement on behalf of the District.

Section 11. Preliminary Official Statement. The Preliminary Official Statement relating to the Notes, in substantially the form submitted to and on file with the Clerk of this Board, is hereby approved and adopted as the Preliminary Official Statement of the District with respect to the Notes (the "Preliminary Official Statement"), with such additions, changes and corrections as the Authorized District Representative may require or approve, and the Financial Advisor is hereby authorized to distribute copies of such Preliminary Official Statement to persons who may be interested in purchasing the Notes. The Authorized District Representative is hereby authorized to certify, on behalf of the District, that the Preliminary 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 for and in the name and on behalf of the District, to prepare and sign an Official Statement in its final form, including the final pricing information, and the purchaser of

the Notes is hereby authorized and directed to deliver copies of such Official Statement in final form to all subsequent purchasers of the Notes.

Section 12. Continuing Disclosure Certificate. The Continuing Disclosure Certificate, in substantially the form submitted to this Board is hereby approved and the Authorized District Representative is hereby authorized and directed on behalf of the District to execute the Continuing Disclosure Certificate. The District hereby agrees and covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and the Authorized District Representative is hereby authorized and directed to undertake and perform all continuing disclosure obligations contained in the Continuing Disclosure Certificate. Notwithstanding any other provision hereof, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided, that any registered owner of the Notes 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.

Section 13. Approval of Actions. All actions heretofore taken by the officers and agents of the District with respect to the sale and issuance of the Notes are hereby approved, and the President of this Board, the Clerk of this Board, any Authorized District Representative and any and all other officers of the District are hereby authorized and directed for and in the name of and on behalf of the District, to do any and all things and take any and all actions relating to the execution and delivery of any and all certificates, requisitions, agreements and other documents, including a paying agent agreement with respect to the Notes, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this resolution.

Section 14. Further Assurances. It is hereby covenanted and warranted by the District that all representations and recitals contained in this resolution are true and correct, and that the District, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the collection and deposit of the Unrestricted Revenues pledged hereunder in accordance with law and with this resolution and for carrying out the provisions of this resolution. It is hereby further covenanted and warranted by the District that the provisions of the Notes and of this resolution shall constitute a contract between the District and the registered owners of the Notes, and such provisions shall be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction, and shall be irrevocable; provided, that notwithstanding any other provision hereof to the contrary, upon the District's failure to observe, or refusal to comply with, the covenants contained herein, no one other than the registered owners or former registered owners of the Notes shall be entitled to exercise any right or remedy under this resolution on the basis of the District's failure to observe, or refusal to comply with, such covenants.

Section 15. Filing with the Board of Supervisors. The Clerk of this Board is hereby authorized and directed to file a certified copy of this Resolution with the Clerk of the Board of Supervisors of the County.

Section 16. Effective Date. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this day, April 3, 2014, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

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

ATTEST:

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

EXHIBIT A

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO**

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2013-14 TAX AND REVENUE ANTICIPATION NOTE**

Note Date: _____, 2014

CUSIP: _____

FOR VALUE RECEIVED, the Sacramento City Unified School District (the "District"), located in the County of Sacramento, California (the "County"), hereby promises to pay to

CEDE & CO. (or registered assigns), as the Registered Owner hereof,

at the office of the Director of Finance of the County, in Sacramento, California, the Paying Agent, Registrar and Transfer Agent with respect to the Notes (as defined herein), the principal sum of

_____ **DOLLARS**
(\$ _____)

in lawful money of the United States of America, at its maturity date, on

_____, 2014

together with interest thereon at the rate of

_____ **PERCENT (_____ %)**

per annum (computed on the basis of a 360-day year of twelve 30-day months) in like lawful money from the Note Date specified above until payment in full of said principal sum. Interest shall be payable at the maturity hereof. This note shall not be subject to redemption prior to the stated maturity date.

Principal and interest due at maturity shall be paid to the registered owner hereof only upon surrender hereof at the office of the Director of Finance of the County. No interest shall be payable for any period after maturity hereof during which the registered owner hereof fails to properly present this note for payment.

It is hereby certified, recited and declared that this note is one of an authorized issue of notes entitled, "Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes" (the "Notes"), in the aggregate principal amount of \$ _____, all of like date, tenor and effect, issued under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code, and made,

executed and given pursuant to and by authority of a resolution (the “Resolution”) of the Board of Education of the District duly passed and adopted on April 3, 2014), and subject to the more particular terms specified in the [Certificate of Award] [Note Purchase Agreement] executed on _____, 2014, by the Authorized District Representative. It is hereby further certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received for or which accrue to the General Fund of the District during Fiscal Year 2013-14 and which are lawfully available for the payment of current expenses and other obligations of the District (the “Unrestricted Revenues”). As security for the payment of the principal of and interest on this note and all Notes of said authorized issue, the District has pledged the Unrestricted Revenues which shall be deposited in the Repayment Fund in the following manner pursuant to the [Certificate of Award] [Note Purchase Agreement]: (i) an amount equal to 50% of the principal amount of the Notes from the first Unrestricted Revenues received by the District during the period ending July 31, 2014 and (ii) an amount equal to 50% of the principal amount of the Notes, plus an amount sufficient (when all previous deposits and earnings on the Repayment Fund are taken into account) to pay all principal and interest with respect to the Notes, from the first Unrestricted Revenues received by the District during the period ending August 31, 2014 which accrue to the District’s General Fund in Fiscal Year 2013-14. The amounts pledged by the District for deposit into the Repayment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the “Pledged Revenues”, and the principal of and the interest on this note and all Notes of said authorized issue shall constitute a first lien and charge thereon and shall be payable therefrom, and to the extent not so paid shall be paid from any other money of the District lawfully available therefor.

This note is not subject to redemption prior to maturity.

This note is transferable by the registered owner hereof in person or by such owner’s attorney duly authorized in writing at the office of the Director of Finance, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount and the same nominal rate of interest will be issued to the transferees in exchange herefor. The District and the Director of Finance may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the District and the Director of Finance shall not be affected by any notice to the contrary.

This note shall not be valid or become obligatory for any purpose until the Certificate of Registration hereon shall have been signed by the Director of Finance.

IN WITNESS WHEREOF, the District has caused this 2013-14 Tax and Revenue Anticipation Note to be executed by the President of the Board of the District by manual or facsimile signature, and countersigned by its Clerk or Secretary by manual or facsimile signature, all as of the Note Date specified above.

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

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

Countersigned:

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

DTC LEGEND

Unless this note 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 note 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.

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is one of the Notes described in the within-mentioned Resolution, which Note has been registered on _____, 2014.

DIRECTOR OF FINANCE OF THE COUNTY OF
SACRAMENTO, California, as Paying Agent,
Registrar and Transfer Agent

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned registered note 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.

Taxpayer 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 Note in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guarantee: _____

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

CLERK'S CERTIFICATE

The undersigned Clerk of the Board of Education of the Sacramento City Unified School District, County of Sacramento, California, does hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly held at the regular meeting place thereof on April 3, 2014, of which meeting all of the members of said Board of Education had due notice and at which a quorum thereof was present; and at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of said 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 said resolution appeared on said agenda. A copy of said agenda is attached hereto.

I further certify that said 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, 2014.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____

Clerk of the Board of Education
Sacramento City Unified School District

OFFICIAL NOTICE OF SALE

\$ _____ *

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
2013-14 Tax and Revenue Anticipation Notes**

NOTICE IS HEREBY GIVEN that submitted bids via i-Deal/Parity will be received for the purchase of \$ _____ * of the above-named notes (the "Notes") on behalf of the Board of Education of the Sacramento City Unified School District (the "District"), located in the County of Sacramento (the "County"), State of California, on

Thursday, _____, 2014,
at 9:30 A.M., California time

The Interim Superintendent of the District, the Chief Business Officer, or such other officer of the District designated for the purpose (each an "Authorized District Representative"), acting on behalf of and as authorized and directed by the Board of Education of the District, reserves the right to cancel or reschedule the sale of the Notes or alter the terms thereof upon notice given through the Thompson Municipal Market Monitor (www.TM3.com) (the "News Service") at any time prior to the time bids are to be received. If no legal bid or bids are received for the Notes on said date (or such later date as is established as provided herein) at the time specified, bids will be received for the Notes on such other date and at such other time as shall be designated through the News Service as soon as practicable. As an accommodation to the bidders, telephonic, telecopies or emailed notice of the postponement of the sale date or dates or of a change in the principal payment schedule will be given to any bidder who has requested such notice of the District's Financial Advisor: Capitol Public Finance Group, LLC, 2436 Professional Drive, Suite 300, Roseville, CA 95661 (telephone (916) 641-2734; fax (916) 921-2634). Failure of any bidder to receive such telephonic, telecopied or emailed notice shall not affect the legality of the sale.

TERMS OF THE NOTES

Important Note: This notice will be submitted to i-Deal Prospectus LLC for posting at i-Deal's website (www.i-dealprospectus.com) and in the Parity bid delivery system. In the event i-Deal's summary of the terms of sale of the Notes disagrees with this Official Notice in any particulars, the terms of this Official Notice shall control (unless notice of an amendment hereto is given as described above).

Issue: This Notice governs only the terms of sale, bidding and closing procedures. The terms of issuance, principal and interest repayment, optional redemption, security, tax opinion, and all other information regarding the Notes and the District, are given in the Preliminary Official Statement which each bidder must have obtained and reviewed prior to bidding for the Notes. Copies of the Preliminary Official Statement relating to the Notes may be requested from the Financial Advisor to the District, Capitol Public Finance Group, LLC, by email to jsmall@capitolpfg.com, (telephone (916) 641-2734). The Notes are only offered by means of the Official Statement, and the District has not authorized the posting of any information or summary about the District or the security for the Notes by i-Deal or any other person.

* Preliminary, subject to adjustment.

**Sacramento City Unified School District
2013-14 TRAN – Official Notice of Sale**

Date and Maturity: A single maturity of Notes shall be issued, dated their date of delivery (anticipated to be on _____, _____, 2014), and will mature on or about _____, 2014 (the “Maturity Date”), without possibility of prior redemption.

Interest Rate: The maximum interest rate bid for the Notes may not exceed ___% per annum. Interest is payable only upon the maturity of the Notes. Bidders must specify the rate of interest which the Notes shall bear; provided, that:

- (i) all bids must be for all Notes;
- (ii) all Notes must bear the same rate of interest;
- (iii) no Note shall bear more than one rate of interest;
- (iv) each Note shall bear interest from the date of delivery to the stated Maturity Date at the interest rate specified in the bid;
- (v) the interest rate specified must be in a multiple of 1/1,000 of 1%; and
- (vi) interest on the Notes is payable at maturity, calculated on the basis of a 30-day month, 360-day year from the date of the Notes.

TERMS OF SALE

Best Bid: The Notes will be awarded to the best bid on the basis of the annually compounded lowest net interest cost (“TIC”) of the proposal, as calculated by the Financial Advisor.

If two or more bidders offer bids at the same lowest TIC, the best bid will be the first bid received in the determination of the District, whose determination is final.

By submission of its bid, a bidder shall be deemed to have made the following representations:

- (1) The bidder has received and reviewed the Preliminary Official Statement and as a condition to bidding on the Notes, has determined that it can comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.
- (2) As of the date of its bid and as of the date of delivery of the Notes, all members of the bidder’s syndicate either participate in The Depository Trust Company, New York, New York (“DTC”) or clear through or maintain a custodial relationship with an entity that participates in said depository.
- (3) Capitol Public Finance Group, LLC, the District’s Financial Advisor with respect to the Notes, is not a participant in this bidding syndicate or other similar account formed for the purpose of purchasing the Notes directly or indirectly from the District, nor is any parent company, subsidiary of, or entity controlled by or controlling Capitol Public Finance Group, LLC.

Minimum Bid: The District will not accept any bid for less than all of the Notes or for a purchase price of less than 100% of the principal amount of the Notes. The foregoing provision does not preclude original issue discount or premium on the Notes so long as the bid is at least equal to 100% of the aggregate principal amount of the Notes.

**Sacramento City Unified School District
2013-14 TRAN – Official Notice of Sale**

Form of Bid: All bids must be unconditional. *All bids shall be deemed to incorporate all of the terms of this Official Notice of Sale.*

Hand Delivery: Hand delivered bids will not be accepted. All bids must use the i-Deal/Parity bid system. **Error! Hyperlink reference not valid.**

WARNINGS: The District assumes no responsibility for ensuring or verifying bidder compliance with Parity's procedures. The District shall be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder. The District, the Financial Advisor and Bond Counsel assume no responsibility for any malfunction of the Parity system, any failure of a bid to be received at the official time, or any error contained in any bid submitted electronically. The official time for receipt of bids will be determined by the District, and the District shall not be required to accept the time kept by Parity as the official time. In the event of a malfunction of the Parity system, all bids will be rejected and the Notes will be sold.

THE DISTRICT RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID, DELIVERED BY ANY MEANS, IS TIMELY, LEGIBLE AND COMPLETE.

Multiple Bids: In the event multiple bids are received from a single bidder by any means or combination thereof, the District shall accept the bid representing the lowest TIC, and each bidder agrees by submitting any bid to be bound by such best bid.

Statement of True Interest Cost (TIC): Each bidder is requested, but not required, to state in its bid the total percentage TIC, which shall be considered as informative only and not binding on either the bidder or the District.

Good Faith Deposit: No good faith deposit is required to bid on the notes, nor will a good faith deposit be required from the winning bidder.

Right of Rejection: The District reserves the right to reject any and all bids and to waive any irregularity or informality in any bid which does not have a material effect and whose waiver will not change the ranking of the bids received. If the sale of the Notes is cancelled or postponed, all sealed bids shall be returned unopened.

Prompt Award: The District will take action awarding the Notes or rejecting all bids not later than 26 hours after the expiration of the time herein prescribed for the receipt of the bids, unless such time of award is waived by the successful bidder. Notice of the award will be given promptly to the successful bidder.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment: Delivery of the Notes through the facilities of DTC will be made to the successful bidder in New York, New York, as soon as the Notes can be prepared, which is estimated to be on _____, 2014. Payment for the Notes must be made in funds immediately available in San Francisco, California, on the date of delivery. Any expense of providing immediately available funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the successful bidder or bidders. The cost of printing the Notes will be borne by the District.

Right of Cancellation: The successful bidder shall have the right, at its option, to cancel its obligation to purchase the Notes if the Notes are not executed and tendered for delivery within 60 days from the date of sale thereof.

**Sacramento City Unified School District
2013-14 TRAN – Official Notice of Sale**

CUSIP Numbers and Other Fees: It is expected that the successful bidder will apply for CUSIP identification numbers for the Notes, and furnish such numbers to Bond Counsel. It is anticipated that such CUSIP numbers will be printed on the Notes being delivered to DTC, 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 successful bidder to accept delivery of and pay for the Notes in accordance with the terms and conditions of its bid. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the District, but the CUSIP Service Bureau charge for the assignment of such numbers shall be paid by the successful bidder. The successful bidder shall also be required to pay all fees required by DTC, the Securities Industry and Financial Markets Association, the Municipal Securities Rulemaking Board, and any other similar entity imposing a fee in connection with the issuance of the Notes.

California Debt and Investment Advisory Commission Fee: Attention of bidders is directed to California Government Code Section 8856, which provides that the lead underwriter or the purchaser of the Notes shall be charged any California Debt and Investment Advisory Commission fee payable with respect to the Notes.

Certification of Reoffering Prices: Upon notification of award of the bid, the successful bidder shall provide initial offering prices for each maturity of the Notes purchased. Prior to Closing, as a condition to delivery of the Notes, the successful bidder shall be required to provide to the District initial offering price information in form and substance as Bond Counsel may require (in the form attached hereto as Exhibit A), including: (i) certification that as of the date of sale, all of the Notes purchased were expected to be reoffered in a bona fide public offering at stated initial offering prices; (ii) certification that as of the date of the certification, all of the Notes purchased had actually been offered to the general public at such prices; (iii) the maximum initial bona fide offering prices at which at least 10% of each maturity of the Notes purchased was sold to the general public; and (iv) identification of any Bond maturity of which less than 10% was sold to the general public at its initial offering price.

Litigation: There is no litigation pending concerning the validity of the Notes, the corporate existence of the District or the entitlement to their respective offices of the officers of the District who will execute the Notes and other documents or certificates, or the power of the County of Sacramento to levy and collect taxes on behalf of the District for payment of, and to pay interest and principal on, the Notes, and the District will furnish to the successful bidder or bidders a no-litigation certificate or certificates certifying the foregoing as of and at the time of the delivery of the Notes.

Legal Opinion: The legal opinion of Orrick, Herrington & Sutcliffe LLP approving the validity of the Notes, addressed to the District, will be furnished to the successful bidder upon delivery of the Notes. Copies of the opinion will be filed with DTC and with the Paying Agent.

Tax Matters: Orrick, Herrington & Sutcliffe LLP will render to the District its legal opinion with respect to tax-exemption of the interest paid on the Notes. See the discussion of Tax Matters in the Official Statement hereinafter referred to. In the event that prior to the delivery of the Notes the entire income received by private holders from obligations of the same type and character shall be declared to be includable in gross income (either at the time of such declaration or at any future date) for purposes of federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, the successful bidder may, at its option, prior to the tender of the Notes by the District, be relieved of its obligation to purchase the Notes, and in such case the deposit accompanying its bid will be returned. For purposes of the preceding sentence, interest will be treated as excludable from gross income for federal income tax purposes whether or not it is includable as an item of tax preference for calculating alternative minimum taxes or otherwise includable for purposes of calculating certain other tax liabilities.

**Sacramento City Unified School District
2013-14 TRAN – Official Notice of Sale**

Official Statement: The District has authorized the use of an official statement relating to the Notes. A copy of the Preliminary Official Statement will be furnished upon request to the District's Financial Advisor. The Preliminary Official Statement is in form "deemed final" by the issuer for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement. The District will furnish to the successful bidder, at no expense to the successful bidder, up to 40 copies of the final Official Statement within 7 business days of the award date.

Official Statement Certificate: The District will provide to the successful bidder for the Notes a certificate, signed by an official of the District, confirming to the successful bidder that, to the best knowledge of such official, at the time of the acceptance of the bid for the Notes the Preliminary Official Statement did not, and at the time of delivery of the Notes, the Official Statement does not, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except that no view will be expressed concerning information regarding DTC and its book-entry only system, information provided by the Director of Finance regarding County investments, information provided by the successful bidder regarding the underwriting, reoffering, and CUSIP identification numbers of the Notes, and information regarding any municipal bond insurance policy with respect to the Notes and the provider thereof, as to all of which no view shall be expressed), 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 Notes to rely upon the Official Statement in connection with the resale of the Notes.

Continuing Disclosure Certificate: In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the District will undertake, pursuant to a Continuing Disclosure Certificate, to provide notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Dated: _____, 2014.

/s/
Chief Business Officer
Sacramento City Unified School District

EXHIBIT A

**FORM OF CERTIFICATE OF PURCHASER
AS TO INITIAL REOFFERING PRICE AND OTHER MATTERS**

[PURCHASER] has acted as the underwriter of \$_____ aggregate principal amount of Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes (the "Notes"), and hereby certifies and represents the following:

1. As of _____, 2014 (the "Sale Date"), we had offered or reasonably expected to offer the Notes that we are underwriting to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at _____% of the aggregate principal amount thereof to yield _____%.

2. The issue price of the Notes listed in paragraph 1 above does not exceed the fair market price and the issue yield is not lower than the market yield as of the Sale Date.

3. As of the date hereof, all of the Notes that we are underwriting have actually been offered to the general public at _____% of the aggregate principal amount thereof and at least 10% of the Notes actually have been sold to the general public at such price.

Dated: _____, 2014.

[PURCHASER]

By _____
Authorized Representative

NOTE PURCHASE AGREEMENT

\$_____

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2013-14 TAX AND REVENUE ANTICIPATION NOTES**

April __, 2014

Board of Education,
Sacramento City Unified School District
c/o Capitol Public Finance Group, LLC
2436 Professional Drive, Suite 300
Roseville, CA 95661

Ladies and Gentlemen:

The undersigned (the "Purchaser") offers to enter into this Note Purchase Agreement (this "Purchase Agreement") with the Board of Education of the Sacramento City Unified School District (the "District"), acting through its Superintendent. The offer made hereby is subject to acceptance by the District by execution and delivery of this Purchase Agreement to the Purchaser 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 Agreement will be binding upon the District and upon the Purchaser.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Purchaser hereby agrees to purchase from the District for offering to the public, and the District hereby agrees to sell to the Purchaser for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the District's Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes (the "Notes") at a Purchase Price of \$_____ (consisting of the principal amount of the Notes, plus an original issue [premium/discount] of \$_____, less an underwriter's discount of \$_____). The true interest cost for the Notes is ____%.

2. The Notes. The Notes shall be issued pursuant to Sections 53850 to 53858, both inclusive, of the Government Code of the State of California (herein called the "Government Code") (being Article 7.6 of Chapter 4 of Part 1 of Division 2 of Title 5 of said Code, and herein called the "Act"), and in accordance with Resolution No. ____ of the District, adopted by the Board of Education of the District on April 3, 2014 (the "Resolution"). The Notes shall conform in all respects to the terms and provisions set forth in the Resolution. The County Director of Finance has been appointed to act as Paying Agent with respect to the Notes pursuant to the Resolution.

A single maturity of Notes shall be issued, dated the date of Closing (as defined in Section 9 hereof), and the Notes shall mature on _____ 1, 20__, without possibility of prior redemption. The Notes shall bear interest at the rate of _____ percent (____%) per annum. The Notes shall otherwise be as described in the Official Statement of the District with respect to the Notes, dated _____, 2014 (the "Official Statement").

As security for the payment of the principal of and interest on the Notes, the District hereby covenants to deposit in trust for the registered owners of the Notes in a special fund designated as the "Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund"):

(i) an amount equal to 50% of the principal amount of the Notes from the first Unrestricted Revenues to be received by the District during the month ending July 31, 2014; and

(ii) an amount equal to 50% of the principal amount of and interest on the Notes from the first Unrestricted Revenues to be received by the District during the month ending August 31, 2014.

A single certificate for the Notes will be prepared and delivered as described in Section 9 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 Purchaser for inspection at such place as may be mutually agreed to by the Purchaser and the District, not less than one business day prior to the Closing. The Purchaser shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Notes in accordance with the terms of this Purchase Agreement.

3. Offering. The Purchaser agrees to make a bona fide public offering of all the Notes. For purposes of permitting the District to determine the yield on the Notes, the Purchaser will provide the District with information regarding the price at which the Notes were reoffered to the public in form and substance as Bond Counsel shall require.

The District hereby ratifies, approves, and confirms the distribution of this Purchase Agreement, the Resolution, and the Preliminary Official Statement of the District, dated _____, 2014 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the public offering and sale of the Notes by the Purchaser.

The Purchaser hereby represents that it has received and reviewed the Preliminary Official Statement, and agrees that it will provide, consistent with the requirements of Municipal Securities Rulemaking Board ("MSRB") Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases any Notes 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 on or before the date of Closing, and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Notes, 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 Purchaser hereby agrees that prior to the time the final Official Statement is available, the Purchaser will send to any potential purchaser of the Notes, 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 will electronically deliver to the Purchaser within seven business days from the date hereof, of the Official Statement of the District with respect to the Notes, signed on behalf of the District by an authorized officer thereof, dated as of the date hereof, substantially in the form of the Preliminary Official Statement with such changes thereto as shall be approved by the Purchaser, which approval shall not be unreasonably withheld, and with up to 100 copies (as the Purchaser shall request) to follow by mail as soon as is practical.

The District acknowledges and agrees that (i) the purchase and sale of the Notes pursuant to this Purchase Agreement is an arm's-length commercial transaction between the District and the Purchaser, (ii) in connection with such transaction the Purchaser has not assumed a fiduciary responsibility in favor of the District, and (iii) the District has consulted with its legal and other professional advisors to the extent they deemed appropriate in connection with the offering of the Notes.

4. Representations and Agreements of the District. The District represents to and agrees with the Purchaser 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 is duly authorized and has full legal right, power and authority to issue, sell and deliver the Notes, pursuant to the Resolution, and to provisions of the laws of the State of California.

(c) The District has full legal right, power and authority to enter into this Purchase Agreement, to adopt the Resolution, and to observe and perform the covenants and agreements of this Purchase Agreement and the Resolution required to be observed and performed by the District.

(d) The District has duly adopted the Resolution in accordance with the laws of the State; 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 through its officers and agents of its covenants and agreements contained in the Notes and this Purchase Agreement required to have been observed or performed at or prior to the date of Closing; and the District has complied, and will at the Closing be in compliance in all respects, with the obligations in connection with the issuance of the Notes on its part contained in this Purchase Agreement, the Resolution, and the Notes.

(e) The District represents to the Purchaser that the Preliminary Official Statement was "deemed final" by the District as of the date thereof 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, and the Official Statement as of its date, and if supplemented or amended, as of the date of any such supplement or amendment, do not and 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 the light of the circumstances under which they were made, not misleading; in each case excluding therefrom any information contained therein relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, or information describing the County's investment policy, current portfolio holdings, and valuation procedures, as to all of which the District expresses no view.

Except as otherwise covenanted in the Continuing Disclosure Certificate of the District, the District disclaims any obligation after the date of Closing to update the Preliminary Official Statement and the Official Statement.

(g) The District will undertake, pursuant to the Resolution and a Continuing Disclosure Certificate, to provide notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

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

(i) The District has received determination from the County superintendent of schools that the District's repayment of the Notes is probable pursuant to Education Code Section 42133.

(j) The District is fiscally accountable as defined in Education Code §42650.

(k) Between the date hereof and the Closing, the District will not modify or amend the Resolution without the prior written consent of the Purchaser.

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

(a) The Purchaser is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it.

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

(c) The Purchaser has, and has had, no financial advisory relationship with the District with respect to the Notes and no investment firm controlling, controlled by or under common control with the Purchaser has or has had any such financial advisory relationship.

(d) The Purchaser has reasonably determined that the District's undertaking pursuant to Sections 5(b) and 6(i) hereof to provide continuing disclosure with respect to the Notes is sufficient to effect compliance with Rule 15c2-12.

6. Conditions to Closing. At or before Closing, and contemporaneously with the acceptance of delivery of the Notes, and the payment of the purchase price thereof, the District will provide to the Purchaser:

(a) a certificate, signed by an official of the District, confirming to the Purchaser that, the Preliminary Official Statement as of its date, and the Official Statement as of its date, and as of the date of Closing, to the best of the knowledge of said official, do not contain any untrue statements of a material fact or omit to state any 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 Notes to rely

upon the Official Statement in connection with the resale of the Notes, excluding in each case any information contained in the Official Statement relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, and information contained therein describing the County's investment policy, current portfolio holdings, and valuation procedures;

(b) a certificate, signed by an official of the County, confirming to the Purchaser that the Preliminary Official Statement as of its date, and the Official Statement as of its date and at the time of Closing, 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), do not 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;

(c) a certificate or certificates, signed by appropriate officials of the District, confirming to the Purchaser that, as of the date of this Purchase Agreement and at the time of Closing, to the best of the knowledge of said official or officials, there is no litigation pending concerning the validity of the Notes, the corporate existence of the District, or the entitlement of the officers of the District who shall sign the Notes, or any other documents and certificates to be executed in connection with the delivery of the Notes, to their respective offices;

(d) a certificate or certificates, signed by an official of the District, confirming to the Purchaser that as of the date of Closing all of the representations of the District contained in this Purchase Agreement are true, and that the Resolution is in full force and effect and has not been amended, modified or rescinded;

(e) the Opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel with respect to the issuance of the Notes ("Bond Counsel"), addressed to the District, approving the validity of the Notes substantially in the form set forth as Appendix A to the Official Statement;

(f) the duly executed Tax Certificate of the District, dated the date of Closing, in form satisfactory to Bond Counsel;

(g) a letter from [Standard & Poor's Rating Services] to the effect that the Notes have been rated "[SP-1+]" (or such other equivalent rating as such rating agency may give), and that such rating has not been revoked or downgraded;

(h) the receipt of the Director of Finance confirming payment by the Purchaser of the purchase price of the Notes;

(i) the Continuing Disclosure Certificate of the District with respect to the Notes, in substantially the form attached to the Preliminary Official Statement, containing such covenants of the District as shall be necessary to facilitate compliance by the Purchaser with the requirements of Securities and Exchange Commission Rule 15c2-12; and

(k) a certificate, signed by an official of the County, confirming to the District, that the repayment of the Notes by the District is probable pursuant to Education Code Section 42133(a).

At or before Closing, and contemporaneously with the acceptance of delivery of the Notes and the payment of the purchase price thereof, the Purchaser will provide to the District:

(a) the receipt of the Purchaser, in form satisfactory to the District and signed by an authorized officer of the Purchaser, confirming delivery of the Notes to the Purchaser and the satisfaction of all conditions and terms of this agreement by the District and confirming to the District that as of the Closing Date all of the representations of the Purchaser contained in this Purchase Agreement are true and correct in all material respects; and

(b) the reoffering price certificate of the Purchaser in form satisfactory to Bond Counsel.

7. Termination. (a) By District. In the event of the District's failure to cause the Notes to be delivered at the Closing, or inability of the District to satisfy the conditions to the obligations of the Purchaser contained herein (unless waived by the Purchaser), or if the obligations of the Purchaser shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate.

(b) By Purchaser.

(1) Excused. The Purchaser may terminate this Purchase Agreement, without any liability therefor, by notification to the District if as of the date of Closing any of the following shall have had a material adverse effect on the marketability of the Notes, in the reasonable opinion of the Purchaser, 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 by the Congress of the United States, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or legislation shall have been enacted by the State of California which eliminates the exemption from paying Federal or State of California personal income taxes on interest on the Notes;

(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 Notes to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Resolution to be qualified under the Trust Indenture Act of 1939, as amended; or

(E) There shall have occurred any new outbreak or escalation of war or similar armed hostilities or other national or international calamity or crisis.

(F) Any rating of the Notes by a national rating agency shall have been withdrawn or downgraded.

(2) Unexcused. In the event the Purchaser shall fail (other than for a reason permitted by this Purchase Agreement) to pay for the Notes upon tender of the Notes at the Closing, the Purchaser shall have no right in or to the Notes.

8. Closing. At or before 9:00 a.m., California time, on _____, 2014, or at such other date and time as shall have been mutually agreed upon by the District and the Purchaser, the District will deliver or cause to be delivered to the Purchaser the Notes in book-entry form, together with the other documents described in Section 7 hereof to be delivered by the District; and the Purchaser will accept such delivery and pay the purchase price of the Notes as set forth in Paragraph 1 hereof in immediately available funds (e.g., by federal funds wire), and shall deliver to the District the other documents described in Section 7 hereof to be delivered by the Purchaser, as well as any other documents or certificates Bond Counsel shall reasonably require.

Payment for the delivery of the Notes as described herein shall be made at the offices of the Director of Finance, in Sacramento, California, or at such other place as shall have been mutually agreed upon by the County and the Purchaser. The Notes 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 Purchaser. All other documents to be delivered in connection with the delivery of the Notes shall be delivered at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California. Such payment and delivery is herein called the "Closing."

9. Expenses. The District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Notes (or from any other source of available funds of the District) including, but not limited to: (i) the cost of the preparation and reproduction of the Resolution; (ii) the fees and disbursements of Bond Counsel; (iii) the fees and disbursements of the financial advisor to the District; (iv) the costs of the preparation, printing and delivery of the Notes; (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 Purchaser in accordance with this Purchase Agreement; (vi) initial rating fee of [Standard & Poor's Rating Services]; and (vii) fees and expenses of the Paying Agent for the Notes.

All costs and expenses incurred by the Purchaser as a result of or in connection with the purchase of the Notes and their public offering and distribution shall be borne by the Purchaser, 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 required to be paid to The Securities Industry and Financial Markets Association (SIFMA); (vi) MSRB fees; (vii) costs or fees of qualifying the Notes for offer and sale in various states chosen by the Purchaser and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith; and (viii) fees of any counsel to the Purchaser.

10. Notices. Any notice or other communication to be given under this Purchase Agreement (other than the acceptance hereof as specified in the introductory paragraph hereof) may be given by delivering the same in writing to the address of each party given below, or such other address as the District, County or the Purchaser may designate by notice to the other parties:

To the District: Sacramento City Unified School District
5735 47th Street
Sacramento, CA 95823
Attn: Ken A. Forrest, Chief Business Officer

To the County: Director of Finance
County of Sacramento
700 H Street, Room 3650
Sacramento, CA 95814
Attn: Julie Valverde, Director of Finance

To the Purchaser: [TBD]

Attn: _____

11. Governing Law. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State of California.

12. Parties in Interest. This Purchase Agreement when accepted by the District in writing as heretofore specified shall constitute the entire agreement among the District and the Purchaser, and is solely for the benefit of the District and the Purchaser (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 Agreement of each of the parties hereto shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Notes hereunder, or (b) any termination of this Purchase Agreement.

13. Headings. The headings of the paragraphs of this Purchase Agreement are inserted for convenience of reference only and shall not be deemed to be a part hereof.

14. Effectiveness. This Purchase Agreement shall become effective upon the execution of the acceptance hereof by the District by the authorized officer thereof, and shall be valid and enforceable at the time of such acceptance.

15. Counterparts. This Purchase Agreement may be executed in several counterparts, which together shall constitute one and the same instrument.

Respectfully submitted,

[UNDERWRITER]

By: _____
Authorized Officer

Accepted: _____, 2014

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

Time: _____ p.m.

By: _____
Chief Business Officer

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2013-14 TAX AND REVENUE ANTICIPATION NOTES
PAYING AGENT AGREEMENT

This Paying Agent Agreement (the "Agreement"), executed and entered into as of April 1, 2014, by and between the Sacramento City Unified School District (the "District") and the County of Sacramento (the "County");

W I T N E S S E T H:

WHEREAS, the District, by its Resolution No. ____ (the "Notes Resolution") adopted by the Board of Education of the District on April 3, 2014, has authorized the issuance of the District's 2013-14 Tax and Revenue Anticipation Notes (the "Notes") in an aggregate principal amount of \$ _____; and

WHEREAS, the County, by Resolution No. 2014-____ adopted by the Board of Supervisors of the County on April 22, 2014, has appointed the Director of Finance of the County (the "Director of Finance") to act as paying agent, registrar and transfer agent for the Notes, and the Director of Finance desires to accept such appointment; and

WHEREAS, the Board of Supervisors of the County and the Board of Education of the District have each authorized the execution and delivery of this Agreement with respect to the Notes;

NOW THEREFORE, the District and the County agree as follows:

1. The Director of Finance will act as Paying Agent, Registrar and Transfer Agent (collectively referred to as the "Paying Agent") with respect to the Notes pursuant to the Notes Resolution. The Director of Finance will provide the District with the following services:

- a. Maintain records as to the identity of the registered owners of all the Notes;
- b. Effect transfers of registered ownership of Notes upon surrender of Notes to the County accompanied by such instruments of transfer and other documents as may be required;
- c. Cancel all Notes surrendered to the County for transfer or payment and dispose of such cancelled Notes at the written direction of the District;; and
- d. If the District notifies the Director of Finance of the loss, destruction or theft of any of the Notes, the Director of Finance will place a stop transfer order against such Notes and will take instructions from the District with respect to the issuance of any replacement Notes; provided, however, that the Director of Finance may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction,

consent, order, note, coupon or other paper or document reasonably believed to be genuine and to have been signed or presented by the proper party or parties.

2. The Director of Finance, or his/her authorized designee, will authenticate each Note certificate prior to its initial delivery by executing the Certificate of Authentication by a manual signature, authenticating the manual or facsimile signature of the authorized officers of the District pursuant to Section 7 of the Notes Resolution. The Director of Finance, or his/her authorized designee, will authenticate replacement Notes for Notes exchanged, transferred, or mutilated, or otherwise in substitute for Note certificates at the times and under the conditions prescribed in the Notes Resolution.

3. The Director of Finance will prepare and deliver checks for the payment of the interest on and the principal of the Notes (or will provide payment by federal funds wire transfer as specified in the Notes Resolution) at the maturity of the Notes as required by the terms of the Notes Resolution and the Notes.

4. The Director of Finance shall, as *ex officio* Treasurer of the District, provide for the periodic set-aside of funds for payment of principal and interest on the Notes, as required by the Notes Resolution and the Notes, from funds made available by the District and on deposit in the General Fund of the District, which funds are held by the County. To the extent such set-aside funds are insufficient to pay the principal and interest on the Notes when due, the District will cause to be transferred to the County, prior to the maturity date of the Notes, sufficient funds to pay all interest and principal payable on the Notes due on such maturity date. Any money deposited with the County for the payment of the principal and interest on the Notes, and remaining unclaimed for two years after such interest or principal shall have become due and payable, shall be repaid to the District, and all liability of the County with respect thereto shall thereupon cease.

5. Pursuant to the Notes Resolution, the County shall create a Note Proceeds Fund and a Repayment Fund of the District within the General Fund of the District, and shall hold and invest moneys on deposit in such funds as the District shall direct pursuant to the Notes Resolution. The County shall hold all moneys deposited in the Repayment Fund hereunder and under the Notes Resolution in trust for the benefit of the owners of the Notes. The County shall have no duties with respect to the investment of any moneys deposited with the County hereunder, unless otherwise directed by the District and memorialized in an Agreement signed by the parties. The County shall not be required to pay interest on any uninvested funds held by the County hereunder.

6. Notwithstanding Section 5 hereof, the Director of Finance shall continue in his/her duties with respect to funds of the District as the Director of Finance of the County and as *ex officio* Treasurer of the District.

7. The Director of Finance may consult with County's legal counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by his/her hereunder in good faith and in reliance thereon, and reasonable costs of such counsel will be reimbursed by the District.

The Director of Finance shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note, coupon or other paper or document, but in his/her discretion may make such further inquiry or investigation into such facts or matters as he/she may see fit. If the Director of Finance shall determine to make such further inquiry or investigation, he/she shall be entitled to examine the books and records of the District, personally or by agent or attorney.

8. The District shall reimburse the County for all actual costs incurred by County staff in connection with the Director of Finance's appointment as Paying Agent hereunder and for all County advances and expenditures, including, but not limited to advances to and fees and expenses of independent accountants or counsel employed by the Director of Finance in the exercise and performance of his/her powers and duties hereunder. The District shall indemnify, defend and save the County and its agents and employees harmless against losses, costs, expenses and liabilities, including fees and expenses of County attorneys which may incurred in the exercise and performance of the Director of Finance's powers and duties hereunder.

9. This Agreement shall remain in effect until the payment of all of the Notes and all funds are disbursed or until this Agreement is amended or terminated; provided, that this Agreement may be terminated by written notice of either party to the other.

10. If, at any time, the County shall determine to terminate this Agreement, then the Director of Finance shall, in his/her sole discretion, immediately appoint a successor paying agent to act as Paying Agent for the District with respect to the Notes; provided that, if an immediate successor cannot be found, then the replacement or resignation of the Director of Finance hereunder shall not take effect until such successor paying agent is able to assume the duties of Paying Agent under the Notes Resolution.

11. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto hereby execute this Paying Agent Agreement as of the date first above written.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Chief Business Officer

COUNTY OF SACRAMENTO

By _____
Director of Finance

APPROVED AS TO FORM:

By _____
County Counsel

NEW ISSUE – BOOK-ENTRY ONLY

RATING:

Standard & Poor's: "____"
(See "MISCELLANEOUS – Rating" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Sacramento City Unified School 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 Notes 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. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes 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 Notes. See "TAX MATTERS" herein.

\$ _____
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
2013-14 TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery

Due: _____, 2014



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.

The Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes (the "Notes"), issued by the Sacramento City Unified School District (the "District"), are by statute a general obligation of the District. The principal amount of the Notes, together with interest thereon, are payable from taxes, income, revenues, cash receipts and other moneys which are received by or which accrue to the District during fiscal year 2013-14 and which are lawfully available for the payment of current expenses and other obligations of the District. ***The District cannot be legally obligated to pay the Notes from revenue of a future year, and the District is not authorized to increase tax rates to repay the Notes in the event other available moneys are insufficient.*** As security for the payment of principal of and interest on the Notes, the District has pledged certain Pledged Revenues (as defined herein) to be deposited in a Repayment Fund (as defined herein) at the times and in the amounts described herein. See "THE NOTES – Security and Sources of Payment" herein.

Principal of and interest on the Notes are payable only at maturity. The Notes are not subject to redemption prior to maturity. See "THE NOTES – General Provisions of the Notes" herein.

Maturity Date	Principal Amount	Interest Rate	Yield [†]	CUSIP No. [‡]
_____, 2014	\$ _____	_____%	_____%	_____

The Notes were sold to [Underwriter] (the "Underwriter") at a competitive public sale conducted on _____, 2014. The Notes will be offered when, as and if issued by the District and received by Underwriter, subject to approval of their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. It is anticipated that the Notes, in book-entry form, will be available for delivery through DTC in New York, New York, on or about _____, 2014.

Dated _____, 2014.

* Preliminary, subject to change.

[†] Yields certified by the Underwriter. The District takes no responsibility therefor.

[‡] Copyright, 2014, 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 Notes. The District is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Notes or as indicated above. The CUSIP numbers are subject to change after the issuance of the Notes as a result of various subsequent actions.

This Official Statement does not constitute an offering of any security other than the original offering of the Notes 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 issuance and sale of the Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption under Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy securities 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 will, 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 Notes 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 on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Notes.

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

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

DISTRICT BOARD OF EDUCATION

Patrick Kennedy
President (Area 7)

Darrel Woo
Vice President (Area 6)

Christina Pritchett
Second Vice President (Area 3)

Gustavo Arroyo
Member (Area 4)

Jeff Cuneo
Member (Area 2)

Jay Hansen
Member (Area 1)

Diana Rodriguez
Member (Area 5)

Margarita Kovalchuk
Student Member

DISTRICT ADMINISTRATION

Sara Noguchi, Ed.D.
Interim Superintendent and Board Secretary

Teresa Cummings
Chief Accountability Officer

Ken A. Forrest
Chief Business Officer

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Paying Agent

Sacramento County
Director of Finance
Sacramento, California

Financial Advisor

Capitol Public Finance Group LLC
Roseville, California

TABLE OF CONTENTS

	Page
INTRODUCTION.....	1
The District	1
Continuing Disclosure.....	2
THE NOTES	2
Purpose of the Notes	2
Authority for Issuance.....	2
General Provisions of the Notes.....	3
Security and Sources of Payment.....	3
Bankruptcy Risks	4
Investment of Note Proceeds and Repayment Fund	4
ESTIMATED SOURCES AND USES OF FUNDS	5
DISTRICT FINANCIAL AND OPERATING INFORMATION	5
State Funding of Education; State Budget Process	5
Enrollment.....	12
Local Sources of Education Funding	13
Local Property Taxation.....	13
Tax Rate	18
Tax Collections and Delinquencies.....	19
Significant Accounting Policies and Audited Financial Reports	20
School Closures	23
Employment.....	24
District Cash Flows.....	28
District Debt Structure	30
Capital Financing Plan	33
Insurance and Joint Ventures	34
Sacramento County Treasury Pool.....	34
Charter Schools.....	34
Capital Lease.....	35
SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS.....	35
District Budget Process and County Review	35
Accounting Practices.....	36
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS	36
Limitations on Revenues.....	36
Expenditures and Appropriations.....	37
TAX MATTERS.....	38
OTHER LEGAL MATTERS.....	40
Legal Opinion	40
Legality for Investment in the State of California.....	40
Continuing Disclosure.....	40
Absence of Material Litigation	43
MISCELLANEOUS	43
Rating	43
Professionals Involved in the Offering.....	43
Underwriting	43
Additional Information	43

TABLE OF CONTENTS
(continued)

	Page
APPENDIX A PROPOSED FORM OF OPINION OF BOND COUNSEL.....	A-1
APPENDIX B FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013	B-1
APPENDIX C FORM OF CONTINUING DISCLOSURE CERTIFICATE	C-1
APPENDIX D COUNTY OF SACRAMENTO ANNUAL INVESTMENT POLICY AND POOLED INVESTMENT FUND REPORT	D-1
APPENDIX E BOOK-ENTRY ONLY SYSTEM	E-1

§ _____ *

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
2013-14 TAX AND REVENUE ANTICIPATION NOTES**

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto (the “Official Statement”), is provided to furnish information in connection with the sale of the Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes (the “Notes”), 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 Underwriter or the owners of any of the Notes.

Quotations from and summaries and explanations of the Notes, the Resolution (defined below) providing for issuance of the Notes, 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.

Copies of documents referred to herein and information concerning the Notes are available from the Chief Business Officer, 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 12th 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 capitol. The District operates under the jurisdiction of the Superintendent of Schools of Sacramento County. See “THE NOTES – Authority for Issuance” herein. The District’s estimated average daily attendance for fiscal year 2013-14 is 40,449 students, and the District’s 2013-14 budgeted general fund expenditures are projected at approximately \$412.8 million.

The District operates 40 elementary schools, eight K-8 schools, seven middle schools, one 7-12 school, seven comprehensive high schools (9-12), five alternative education centers, two special education centers, two adult education centers and 13 charter schools (including both dependent independent) and 44 children’s centers/preschools serving infants through age 12, with a total estimated enrollment of 41,405 students. As of January 31, 2014, the District employed approximately 3,249 employees, which include 1,965 certificated (credentialed teaching) employees, 1,118 classified (noninstructional) employees and 166 supervisory/other personnel.

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. 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. Jonathan Raymond served as Superintendent from July 23, 2009 until December 31, 2013. The Board, at its November 21,

* Preliminary, subject to change.

2013 meeting, appointed Sara Noguchi, Ed.D., as the Interim Superintendent, effective December 2, 2013. Dr. Noguchi previously served as one of the District's three Area Assistant Superintendents and oversaw 21 schools. Dr. Noguchi began her tenure at the District in 2011. Prior to 2011, Dr. Noguchi served in the Elk Grove Unified School District for 17 years, most recently as Director of Secondary Education. She also taught math in the Elk Grove Unified School District and served as principal of James Rutter Middle School. She holds a doctorate in education from the University of the Pacific. Her doctorate studies focused on the professional development needs of middle and high school principals. The Board directed Dr. Noguchi to begin the search efforts for a permanent Superintendent in March of 2014.

Ken Forrest began his term as the Chief Business Officer ("CBO") on April 1, 2013. Mr. Forrest has 35 years of experience as a financial and business officer for K-12 school districts. Mr. Forrest most recently was the CBO for the Matanuska-Susitna Borough School District in Palmer, Alaska and previously worked as the CBO for the Poudre School District in Fort Collins, Colorado, the CBO for the Travis Unified School District in Fairfield, California, and served as the Chief Financial Officer for the Detroit Public Schools. Mr. Forrest has received the Government Finance Officers Association and the Association of School Business Officials Certificate of Excellence in Financial Reporting in multiple districts.

For additional information about the District's operations and finances, see "DISTRICT FINANCIAL AND OPERATING INFORMATION" herein. The District's audited financial statements for the fiscal year ended June 30, 2013 are included as APPENDIX B, and should be read in their entirety.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Notes to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "Rule") notice of the occurrence of certain enumerated events. See "OTHER LEGAL MATTERS – Continuing Disclosure" and APPENDIX C: "FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a description of the specific nature of the notices of events and a summary description of the terms of the Disclosure Certificate pursuant to which such notices are to be made. These covenants have been made in order to assist the Underwriter in complying with the Rule.

THE NOTES

Purpose of the Notes

The Notes are issued in anticipation of future receipt of moneys in the general fund of the District. Proceeds of the Notes will be used and expended by the District for any purpose for which the District is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of other obligations or indebtedness of the District.

Authority for Issuance

The Notes are issued in conformity with the laws of the State, including Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the State Government Code, and pursuant to a resolution adopted by the Board on _____, 2014, authorizing the sale and issuance of the Notes (the "Resolution").

A fiscally accountable district is authorized to issue its own tax and revenue anticipation notes without action by the board of supervisors of the county in which it is located. The District has attained "fiscal accountability status" under Section 42650 of the State Education Code. In addition to the authority to issue notes, this generally means that the District can order payment of its expenses directly from District funds held by the Director of Finance of the County (the "Director of Finance"), instead of obtaining approval for each payment warrant from the Sacramento County Superintendent of Schools.

The district had a “qualified” certification of certification of its most recent interim report, and, pursuant to Education Code Section 42133, has obtained a determination from the Sacramento County Office of Education that repayment of the Notes is probable.

General Provisions of the Notes

Issuance and Maturity: The Notes will be dated the date of delivery thereof, and, assuming delivery on _____, 2014, will mature on _____, 2014.

Payment: The Notes will bear interest at the rate per annum set forth on the cover page hereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will accrue commencing on the date of delivery of the Notes. Principal of and interest on the Notes are payable only at maturity, in lawful money of the United States of America, to the registered owners of the Notes, only upon surrender of such Notes at the principal trust office of the paying agent for the Notes (the “Paying Agent”), initially the Director of Finance. No interest shall be payable on any Notes for any period after maturity of the Notes during which the registered owner thereof fails to properly present said Notes for payment.

Form and Registration: The Notes will be issued in fully registered book-entry form only, in denominations of \$5,000 principal amount each or any integral multiple thereof. The Notes 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 Notes. Purchases of Notes under the DTC system must be made by or through a DTC participant, and ownership interests in Notes and 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 Notes, beneficial owners will not receive physical certificates representing their ownership interests. See APPENDIX E: “BOOK-ENTRY ONLY SYSTEM.”

Redemption: The Notes are not subject to redemption prior to maturity.

Security and Sources of Payment

The Notes are by statute a general obligation of the District. The principal amount of the Notes, together with interest thereon, are payable from the “Unrestricted Revenues” of the District. Unrestricted Revenues consist of taxes, income, revenues, cash receipts and other moneys which are received by or which accrue to the District for the general fund of the District in fiscal year 2013-14 and which are lawfully available for the payment of current expenses and other obligations of the District. The District shall deposit in the Repayment Fund established pursuant to the Resolution only from Unrestricted Revenues accruing to Fiscal Year 2013-14: (i) an amount equal to fifty-percent (50%) of the principal amount of the Notes from the first Unrestricted Revenues (as defined in the Resolution) received by the District during the period ending [July 31, 2014], and (ii) an amount of fifty percent (50%) of the principal amount of and all interest on the Notes from the first Unrestricted Revenues received by the District during the month ending [August 31, 2014]. The amounts so pledged are known as the “Pledged Revenues.” The principal of the Notes and the interest thereon will be a first lien and charge against the Pledged Revenues.

To the extent not so paid from the Pledged Revenues, the Notes will be paid from any other moneys of the District lawfully available therefor. In the event that there are insufficient Unrestricted Revenues received by the District to make the required deposit by the third business day prior to the end of any period in which a deposit is required to be made in the Repayment Fund, as hereinafter defined, then the amount of any deficiency will be satisfied and made up from any other moneys of the District lawfully available for the repayment of the principal of and interest on the Notes when and as such other moneys are received.

Although the Notes are a general obligation of the District, the statutory pledge only extends to revenues received during or accruing to fiscal year 2013-14, and the District cannot be legally obligated to pay the Notes from revenues of a future year. Other than a statutory entitlement to its share of the county-wide 1% *ad valorem* tax levy, the District has no authority, and cannot be compelled, to levy taxes to

pay the principal of or interest on the Notes. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein.

The Resolution creates a special fund to be held by the Director of Finance separate and distinct from all other County and District funds and accounts, designated the “Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes Repayment Fund” (the “Repayment Fund”). Any moneys placed in the Repayment Fund will be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for payment of the Notes at maturity, will be applied solely for the purposes for which the Repayment Fund is created.

At maturity, the Director of Finance, acting as the Paying Agent, shall transfer to the registered owner of the Notes the moneys in the Repayment Fund necessary to pay the principal of and interest then due on the Notes.

Bankruptcy Risks

The opinion of Bond Counsel, attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts and counties in the State of California.

Bankruptcy of the County or the District could affect the security of the owners of the Notes, the ability of an owner to be paid in a timely manner, or both.

Because the Director of Finance is in possession of the taxes and other revenues that the District has agreed to set aside to pay the Notes, and may deposit and invest these funds in the County’s pooled investment fund, should the County go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the funds set aside for payment thereof. In that case, unless the owners could trace the funds, the owners may be merely unsecured creditors of the County. There can be no assurances that the owners could successfully so trace the pledged taxes and other revenues.

If the County were to file for bankruptcy, the District may be unable to order payment of the Notes from moneys held by the County in the fund set aside for such payment. If the District were to file for bankruptcy, the Director of Finance may be enjoined from applying set-aside funds to payment of the Notes, or from setting aside any further moneys of the District for such payment. As governmental units, neither the County nor the District may be declared bankrupt involuntarily by their creditors.

Investment of Note Proceeds and Repayment Fund

The Resolution creates a special fund to be held by the Director of Finance separate and distinct from all other County and District funds and accounts, designated the “Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes Proceeds Fund” (the “Note Proceeds Fund”). Substantially all of the District’s operating funds are held by the Director of Finance and invested pursuant to law and the County’s investment policy. Proceeds from the sale of the Notes will be deposited in the Treasury of the County in the Note Proceeds Fund within the general fund of the District. Moneys set aside for repayment of the Notes will be deposited in the Repayment Fund of the District held in the County Treasury and invested by the Director of Finance. Moneys in such funds shall, to the greatest extent possible, be invested by the Director of Finance (insofar as any of such investments are permitted by the investment policy of the Director of Finance), (i) in any investments permitted by Sections 53601 and following of the Government Code, (ii) in investment agreements with a provider or provider’s guarantor which is rated “Aa” by Moody’s Investors Service, or equivalent rating of any rating agency then rating the Notes, or (iii) in the Local Agency Investment Fund within the treasury of the State in so far as such investments are permitted by the investment policy of the Director of Finance. No funds shall be invested for a term exceeding the maturity of the Notes. See APPENDIX D: “COUNTY OF SACRAMENTO ANNUAL INVESTMENT POLICY AND POOLED INVESTMENT FUND REPORT” herein for a description of the County’s investment policy, current portfolio holdings and valuation procedures.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Notes
Original Issue Premium
Total Sources

Uses of Funds

Net Deposit to Note Proceeds Fund
Total Uses

DISTRICT FINANCIAL AND OPERATING INFORMATION

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding for State and federal programs. Because the District's legal minimum funding level is not expected to be met from local property taxes alone, the District budgeted receipt of general operating funds from the State in fiscal year 2013-14. The District projects receipt of about \$226.2 million in local control funding from the State in fiscal year 2013-14. The District also projects receipt of approximately \$56.6 million in State categorical funding in fiscal year 2013-14. Total State funding accounts for about 70.2% of the District's overall revenues. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98," a constitutional and statutory initiative 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).

[The guaranteed funding 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, as the various factors change. 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 may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State general fund revenues are growing faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount.]

Recent years have seen frequent reductions or lower collections than predicted 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 at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an constitutional amendment initiative approved by the State's voters on November 2, 2010 as "Proposition 25," a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15. Any tax increase provision of such final budget will continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. 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 2013-14 State budget (the "2013-14 State Budget") on June 27, 2013.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each 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. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website www.sco.ca.gov. Neither the District nor the Underwriters take responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by reference. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

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 is expected to 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, and 2009, 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 (QEIA), 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 the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

2013-14 State Budget. The Governor signed the 2013-14 State Budget on June 27, 2013. The 2013-14 State Budget represents a multiyear plan that maintains a \$1.1 billion reserve and pays down certain budgetary debt. The 2013-14 State Budget provides for \$97.1 billion in revenues and transfers for fiscal year 2013-14 (down slightly from the \$98.2 billion estimated for fiscal year 2012-13), and \$96.3 billion in total expenditures for fiscal year 2013-14 (up slightly from the \$95.7 billion estimates for fiscal year 2012-13). However, unlike recent years, the State enters fiscal year 2013-14 with a positive prior year general fund balance, approximately \$872 million, as compared to a negative general fund balance of \$1.7 billion at the start of fiscal year 2012-13. The 2013-14 State Budget, accordingly, is able to set aside a \$1.1 billion reserve in a special fund for economic uncertainties.

The 2013-14 State Budget projects that budgetary debt, which was approximately \$35 billion at the end of fiscal year 2010-11 and \$27 billion at the end of fiscal year 2012-13, will be reduced to less than \$5 billion by the end of fiscal year 2016-17. Although the 2013-14 State Budget is a balanced budget, the 2013-14 State Budget notes that substantial risks, uncertainties and liabilities remain, including the pace of the economic recovery, the State's needs to address its other significant liabilities and the federal budget for federal fiscal year 2014.

With the passage of Proposition 30 in November 2012, The Schools and Local Public Safety Protection Act (the "Temporary Tax Measure"), the 2013-14 State Budget reinvests in, rather than cuts, education funding. The Temporary Tax Measure increased the personal income tax rates on the State's highest income taxpayers by up to three percent for a period of seven years beginning with the 2012 tax year, and increased the sales tax by one-quarter percent for a period of four years beginning on January 1, 2013.

For kindergarten through twelfth grade ("K-12") education, the 2013-14 State Budget provides \$55.3 billion (or \$8,220 per student) in Proposition 98 funding in fiscal year 2013-14, which is slightly lower than the \$56.5 billion estimated in fiscal year 2012-13 but an increase of more than \$8 billion (or \$1,045 per student) from fiscal year 2011-12 levels. The 2013-14 State Budget projects \$67.1 billion (or \$10,010 per student) in Proposition 98 funding in fiscal year 2016-17. Total funding under the 2013-14 State Budget for all K-12 education in fiscal year 2013-14 is approximately \$70 billion.

The 2013-14 State Budget also contains a new formula for funding the school finance system (the "Local Control Funding Formula"). The Local Control Funding Formula is designed to increase local control and flexibility, reduce State bureaucracy and better allocate resources based on student needs. The Local Control Funding Formula replaces the existing revenue limit funding system and most categorical programs. See "*Local Control Funding Formula*" herein for more information.

Certain budget adjustments for K-12 programs include the following:

- **Local Control Funding Formula.** An increase of \$2.1 billion in Proposition 98 general funds for school districts and charter schools, and \$32 million in Proposition 98 general funds for county offices of education, to support first-year funding provided through the Local Control Funding Formula.
- **Common Core Implementation.** An increase of \$1.25 billion in one-time Proposition 98 general funds to support the implementation of the Common Core, which are new standards for evaluating

student achievement in English-language arts and mathematics. Such funding will be distributed to local education agencies on the basis of enrollment to support necessary investments in professional development, instructional materials and technology. Local education agencies will be required to develop a plan to spend this money over the next two years and to hold a public hearing on such plan.

- Career Technical Education Pathways Grant Program. An increase of \$250 million in Proposition 98 general funds for one-time competitive capacity-building grants for K-12 school districts and community colleges to support programs focused on work-based learning. K-12 schools and community colleges must obtain funding commitments from program partners to support ongoing program costs.
- K-12 Mandates Block Grant. An increase of \$50 million in Proposition 98 general funds to reflect the inclusion of the Graduation Requirements mandate within the block grant program. This increase will be distributed to school districts, county offices of education and charter schools with enrollment in grades 9-12.
- K-12 Deferrals. An increase of \$1.6 billion in Proposition 98 general funds in fiscal year 2012-13 and an increase of \$242.3 million in Proposition 98 general funds in fiscal year 2013-14 for the repayment of inter-year budgetary deferrals. When combined, total funding over such two-years will reduce K-12 inter-year deferrals to \$5.6 billion by the end of fiscal year 2013-14.
- Special Education Funding Reform. The 2013-14 State Budget includes several consolidations for various special education programs in an effort to simplify special education finance and provide Special Education Local Plan Areas with additional funding flexibility.

With respect to the implementation of Proposition 39 (The California Clean Energy Jobs Act), which was approved at the November 6, 2012 election, the 2013-14 State Budget allocates \$381 million in Proposition 98 general funds to K-12 local education agencies to support energy efficiency projects approved by the California Energy Commission. Of this amount, 85% will be distributed based on A.D.A. and 15% will be distributed based on free and reduced-price meal eligibility. The 2013-14 State Budget establishes minimum grant levels of \$15,000 and \$50,000 for small and exceptionally small local education agencies and allows these agencies to receive an advance on a future grant allocation. Other local education agencies would receive the greater of \$100,000 or their weighted distribution amount. The 2013-14 State Budget also provides \$28 million for interest-free revolving loans to assist eligible energy projects at schools and community colleges.

The complete 2013-14 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.

Local Control Funding Formula. The Local Control Funding Formula replaces the existing revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base 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, beginning in fiscal year 2013-14. The Local Control Funding Formula has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The Local Control Funding Formula 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 (1.565% in fiscal year 2013-14), 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 (the "Target Base Grant"). 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 50.0% 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 Local Control Funding Formula. Upon full implementation, local education agencies would receive the greater of the Target Base Grant or the ERT.

Of the projected \$25 billion in new funding to be invested through the Local Control Funding Formula over the next eight years, the vast majority of new funding will be provided for Base Grants. Specifically, of every dollar invested through the Local Control Funding Formula, 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" (as further described herein), local property tax revenues would be used to offset up to the entire allocation under the new formula. However, "basic aid districts" would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

All school districts, county offices of education and charter schools will be required to develop and adopt local control and accountability plans, which will identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement and school climate. Such local control and accountability plans are to be developed in accordance with a template to be provided by the State Board of Education. County superintendents will review and provide support to the school districts under their jurisdiction, while the Superintendent of Public Instruction will perform a corresponding role for county offices of education. In addition the 2013-14 State Budget creates the California Collaborative for Education Excellence (the "Collaborative") to advise and assist local education agencies in achieving the goals identified in their plans. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the Superintendent of Public Instruction would have authority to make changes to a local education agency's plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is persistent and acute as to warrant revocation.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorized deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed \$2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permitted deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, and allowed the Controller, Treasurer and Director of Finance to either accelerate or delay the deferrals up to 30 days or reduce the amounts deferred. The Cash Management Bill also permitted the State to move a deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provided that the deferral for March 2011 was required to be paid prior to April 30. The Cash Management Bill provided for exceptions to the deferrals for school districts that could demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. Similar legislation was enacted for fiscal year 2011-12. The legislation, however, sets forth a specific deferral plan for K-12 education payments. In the legislation, the July 2011 and August 2011 K-12 payments of \$1.4 billion and the October 2011 payment of \$2.4 billion were deferred. In September 2011, \$700 million of the July deferral was paid, in January 2012, \$4.5 billion from the remaining July, August and October deferrals was paid, and in March 2012, \$1.4 billion was deferred and paid in April 2012.

The State Legislature enacted similar legislation for fiscal year 2012-13 that provided for \$1.2 billion of K-12 payments to be deferred in July 2012, \$600 million to be deferred in August 2012, \$800 million to be deferred in October 2012 and \$900 million to be deferred in March 2013. Of such deferred amounts, \$700 million of the deferral made in July 2012 was paid in September 2012, the remaining \$1.9 billion deferred in July, August and October of 2012 was paid in January 2013, and the \$900 million deferred in March 2013 was repaid in April 2013. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this or similar future legislation, the District might find it necessary to utilize cash flow borrowings or increase the size or frequency of its cash flow borrowings in fiscal year 2013-14 and in future years. In future fiscal years, if the District finds that its other funds are insufficient to cover any cash flow deficits, the District is authorized to borrow funds from the County.

The 2013-14 State Budget made adjustments to several inter-year deferrals. The April 2014 deferral will be repaid in July 2014 and the statewide amount allocated is \$917,542,000 or 42.21% deferred. The May 2014 deferral will be repaid in July 2014 and the statewide allocated amount is \$2,352,430,000 or 100% deferred.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for K-12 education. The State budget will be affected by national and State economic conditions and other factors over which the District cannot predict and will have no control. State budget shortfalls or changes in funding for education could have a material adverse financial impact on the District.

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 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 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 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. 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. Under California law, a city or county could, and did, prior to California legislation dissolving redevelopment agencies as described below, create a redevelopment agency in territory within one or more school districts. Upon formation of a “project area” of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as “tax increment”) belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the

1% countywide general fund levy) to other local taxing agencies, including school districts, from that time forward. However, special *ad valorem* property taxes (in excess of the 1% general fund levy) collected for payment of debt service on school bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes are not affected or diverted by the operation of a redevelopment agency project area.

As to operating revenues, any loss of local property taxes that contribute to the revenue limit target of a revenue limit district is made up by an increase in State equalization aid, until the base revenue limit is reached. “Pass-through” payments of local tax revenues required by law to be paid to the school district by a local redevelopment agency will count toward the revenue limit, except for any portion dedicated to capital facilities or deferred maintenance.

The adopted State budget for fiscal year 2011-12, as signed by the Governor on June 30, 2011, included trailer bill Assembly Bill No. 26 (First Extraordinary Session) (“AB1X 26”), 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. Assembly Bill No. AB 1484 (“AB1X 1484”), signed into law by the Governor on June 27, 2012, modified certain provisions enacted under AB1X 26, and together with AB1X 26, form the procedural framework for the dissolution of the redevelopment agencies.

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 Part 1.85 (commencing with Section 34170) of Division 24 of the State Health and Safety Code (the “Health and Safety Code”). The Health and Safety Code generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 2 and June 1 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 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 \$1,360,163 in pass-through payments in fiscal year 2013-14, the same amount it received in fiscal year 2012-13.

Allocation of State Funding to School Districts. As part of the 2013-14 State Budget, the formula for determining the level of funding per student changed from the “revenue limit” formula to the “Local Control Funding Formula” (or “LCFF”) discussed above. The California Department of Education has not yet provided an update to the Standardized Accounting Code Structure (which all school districts in California use to account for their funds).

Under Education Code Section 42238 and following, prior to fiscal year 2013-14 each school district was determined to have a target funding level: a “base revenue limit” per student multiplied by the district’s student enrollment measured in units of average daily attendance (“A.D.A.”). The base revenue limit is calculated from the 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 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. This is referred to as State “equalization aid.” 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.

Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the District to make adjustments in fixed operating costs.

Enrollment

District enrollment decreased by 18.7% over the past 12 years. The following table shows a 12-year history of enrollment for the District in each school year. The District has based its most recent multi-year budget projections on an assumption that enrollment will continue to decline to 41,405 students in 2013-14, to 40,205 students in 2014-15 and to 39,005 students in 2015-16. On January 6, 2014, the District received the results of a demographic study performed by SCI Consulting Group (the “SCI Study”) that projects enrollment will decline to 40,595 students in fiscal year 2014-15. The District cannot predict with certainty that actual enrollment will track its projections or the projections set forth in the SCI Study. If enrollment declines as projected by the SCI Study, the District cannot predict what measures, if any, will be necessary to maintain a balanced budget. The enrollment figures presented in the table below do not include enrollment of independent charter schools within the District.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT K-12 Student Enrollment Fiscal 2001-02 through 2012-13

Year	Enrollment	Annual Change	Annual % Change
2001-02	52,430	-	-
2002-03	51,879	(551)	(1.05)%
2003-04	48,152	(3,727)	(7.18)
2004-05	46,400	(1,752)	(3.64)
2005-06	45,673	(727)	(1.57)
2006-07	45,102	(571)	(1.25)
2007-08	44,468	(634)	(1.41)
2008-09	44,040	(428)	(0.96)
2009-10	44,238	198	0.45
2010-11	43,754	(484)	(1.09)
2011-12	43,486	(268)	(0.61)
2012-13	42,623	(863)	(1.98)

Source: Sacramento City Unified School District.

The following tables show the District’s A.D.A. and the revenue limit per A.D.A. for the most recent 15 years. The District’s attendance rate in 2012-13 was 94.9%.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Average Daily Attendance and Base Revenue Limit
Fiscal Years 2006-07 through 2013-14

Fiscal Year	Average Daily Attendance ⁽¹⁾	Annual Change in A.D.A.	Revenue Limit per A.D.A
2006-07	44,229	-	\$5,703
2007-08	44,023	(206)	5,636
2008-09	41,758	(2,265)	5,751
2009-10	41,653	(105)	5,158
2010-11	41,347	(306)	5,383
2011-12	41,131	(216)	5,363
2012-13	40,449	(682)	5,428
2013-14 ⁽²⁾	40,480	31	7,025

Note: All amounts are rounded to the nearest whole number.

⁽¹⁾ Average daily attendance for the second period of attendance, as of the last school month ended before April 15.

⁽²⁾ Projected average revenue per A.D.A. under LCFF.

Source: Sacramento City Unified School District.

In its fiscal year 2013-14 budget, the District projects that it will receive approximately \$226.2 million in aggregate LCFF income in fiscal year 2013-14, or approximately 56.2% of its general fund revenues. To develop its projected revenue under the LCFF, the District used its current number of English language learners as its “unduplicated count,” which the District anticipates will be lower than the actual unduplicated count when available. 2013-14 revenues represent an increase of 2.6% from the \$220.4 million that the District received in fiscal year 2012-13. State funds for special programs are budgeted to be \$56.6 million for fiscal year 2013-14. This amount includes a small portion from State Lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property or the construction of facilities. School districts receive lottery funds proportional to their total A.D.A. The District’s State lottery revenue was \$8,092,634 in fiscal year 2012-13 and is budgeted at approximately \$6,777,482 for fiscal year 2013-14.

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 California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards 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; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives 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 are known as “basic aid districts.” Districts that receive some State aid are commonly referred to as “revenue limit districts.”

The District is not a “basic aid” district. Local property tax revenues account for approximately 20% of the District’s aggregate LCFF income, and are budgeted to be \$63.96 million, or approximately 15.9% of total projected general fund revenue in fiscal year 2013-14. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” below.

Local Property Taxation

General. Taxable property located in the District has a 2013-14 assessed value of \$26.3 billion. Taxable property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. State law also exempts from taxation \$7,000 of the full cash value of an

owner-occupied dwelling provided that the owner files for such exemption. This exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

The assessment of all property and levy and collection of local property taxes is required to be performed for the District by the County. District property taxes are assessed and collected by the County at the same time and on the same rolls as county, special district, and city property taxes. The valuation of secured property and a statutory tax lien is established as of January 1 and is subsequently equalized in August of each year. The resulting secured property tax is payable in two equal installments due November 1 and February 1, and payments become delinquent on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold) are due on August 31 of each year. Taxes on unsecured property are levied at the preceding fiscal year's tax rate and become delinquent on October 31.

Future assessed valuation growth allowed under Article XIII A (as a result of new construction, certain changes of ownership, and increases in the cost of living of up to 2% per year) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in an agency tax base is affected by the existence or establishment of redevelopment agencies which, under certain circumstances, may be entitled to such revenues.

For assessment and collection purposes, property is classified as either "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 real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property, business inventories, boats and airplanes. Unsecured property is assessed on the "unsecured roll."

State-Assessed Property. 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.

Assessed Valuation of Property Within District. Shown in the following table are the assessed valuations of property in the District for fiscal years 2008-09 through 2013-14.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2008–09 through 2013-14

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Annual % Change</u>
2008-09	26,664,260,222	6,526,133	1,369,019,604	28,039,805,959	-
2009-10	25,300,012,709	6,515,367	2,436,477,398	26,743,005,474	(4.62)
2010-11	24,998,615,578	6,555,142	1,379,440,206	26,384,610,926	(1.34)
2011-12	24,360,833,460	6,602,390	1,381,399,468	25,748,835,318	(2.41)
2012-13	24,081,405,373	7,130,520	1,312,707,722	25,401,243,615	(1.35)
2013-14	25,064,499,161	6,354,537	1,240,891,839	26,311,745,537	3.58

Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2013-14 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Twenty Largest
Fiscal Year 2013-14 Local Secured Taxpayers

Property Owner	Primary Land Use	2013-14 Assessed Valuation	% of Total ⁽¹⁾
1. Hines Sacramento Wells Fargo Center	Office Building	\$ 206,543,650	0.82%
2. Campbell Soup Supply Co. LLC ⁽²⁾	Industrial	130,894,819	0.52
3. 621 Capitol Mall LLC	Office Building	124,810,426	0.50
4. 300 Capitol Associates NF LP	Office Building	109,000,000	0.43
5. CIM & 980 9 th Street Sacramento LP	Office Building	98,534,014	0.39
6. HP Hood LLC	Commercial	79,814,336	0.32
7. 500 Capitol Mall LLC	Office Building	79,118,795	0.32
8. Capitol Regency LLC	Hotel	73,991,716	0.30
9. CIM & J Street Hotel Sacramento LP	Hotel	73,882,043	0.29
10. GPT Properties Trust	Office Building	71,734,523	0.29
11. Procter & Gamble Manufacturing Co.	Industrial	70,045,023	0.28
12. Hines VAF II Sacramento Properties LP	Office Building	69,272,251	0.28
13. 1325 J Street LLC	Office Building	67,973,741	0.27
14. M&H Realty Partners VI LP	Undeveloped	65,489,655	0.26
15. AREF Sacramento LP	Office Building	61,852,000	0.25
16. Sacramento Equities REIT	Office Building	61,000,000	0.24
17. 1415 Meridian Plaza LLC / Valley View Investments	Office Building	59,039,864	0.24
18. John A. Forster	Office Building	58,477,553	0.23
19. McClatchy Newspapers	Newspaper	57,430,703	0.23
20. Hines REIT 1515 S. Street LP	Office Building	<u>53,542,952</u>	<u>0.21</u>
		\$1,672,448,064	6.67%

⁽¹⁾ 2013-14 Local Secured Assessed Valuation: \$25,064,499,161

⁽²⁾ The Campbell's Soup Company, which was the 2nd largest taxpayer in the District in 2012-13 shut its plant down in July 2013. In December 2013, the Los Angeles real investment firm, Hackman Capital Partners purchased the plant with plans to convert the property into a multi-use industrial park. *Source:* Sacramento Bee.

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the fiscal year 2013-14 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

Assessed Valuation and Parcels by Land Use

	2013-14 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$ 9,193,791	0.04%	18	0.02%
Commercial	5,559,694,584	22.18	3,589	3.51
Vacant Commercial	101,540,657	0.41	513	0.50
Industrial	1,370,247,161	5.47	1,279	1.25
Vacant Industrial	50,012,546	0.20	264	0.26
Recreational	51,683,827	0.21	90	0.09
Government/Social/Institutional	197,790,656	0.79	315	0.31
Miscellaneous	<u>1,567,257</u>	<u>0.01</u>	<u>299</u>	<u>0.29</u>
Subtotal Non-Residential	\$7,341,730,479	29.29%	6,367	6.22%
Residential:				
Single Family Residence	\$13,952,898,603	55.67%	83,071	81.21%
Condominium/Townhouse	248,884,577	0.99	1,798	1.76
Mobile Home	35,290,762	0.14	1,659	1.62
Mobile Home Park	35,866,745	0.14	33	0.03
2-4 Residential Units	1,191,470,187	4.75	6,439	6.29
5+ Residential Units/Apartments	1,686,109,291	6.73	1,515	1.48
Hotel/Motel	409,661,914	1.63	54	0.05
Miscellaneous Residential	43,113,651	0.17	119	0.12
Vacant Residential	<u>119,472,952</u>	<u>0.48</u>	<u>1,239</u>	<u>1.21</u>
Subtotal Residential	\$17,722,768,682	70.71%	95,927	93.78%
Total	\$25,064,499,161	100.00%	102,294	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 shows the assessed valuation of single family homes located in the District for fiscal year 2013-14.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Per Parcel 2013-14 Assessed Valuation of Single Family Homes

	No. of Parcels	2013-14 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	83,071	\$13,952,898,603	\$167,641	\$131,933

2013-14 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	943	1.135%	1.135%	\$ 16,211,801	0.116%	0.116%
\$25,000 - \$49,999	7,201	8.668	9.804	285,505,145	2.046	2.162
\$50,000 - \$74,999	9,927	11.950	21.754	626,382,686	4.489	6.652
\$75,000 - \$99,999	10,894	13.114	34.868	950,626,662	6.813	13.465
\$100,000 - \$124,999	9,886	11.901	46.768	1,110,634,065	7.960	21.425
\$125,000 - \$149,999	8,733	10.513	57.281	1,197,827,629	8.585	30.009
\$150,000 - \$174,999	7,153	8.611	65.892	1,158,123,664	8.300	38.310
\$175,000 - \$199,999	5,738	6.907	72.799	1,072,204,396	7.684	45.994
\$200,000 - \$224,999	4,212	5.070	77.870	892,339,315	6.395	52.390
\$225,000 - \$249,999	3,196	3.847	81.717	757,221,502	5.427	57.816
\$250,000 - \$274,999	2,532	3.048	84.765	663,274,333	4.754	62.570
\$275,000 - \$299,999	2,125	2.558	87.323	609,609,902	4.369	66.939
\$300,000 - \$324,999	1,743	2.098	89.421	544,841,734	3.905	70.844
\$325,000 - \$349,999	1,556	1.873	91.294	523,955,497	3.755	74.599
\$350,000 - \$374,999	1,374	1.654	92.948	497,506,147	3.566	78.165
\$375,000 - \$399,999	1,112	1.339	94.287	430,292,362	3.084	81.249
\$400,000 - \$424,999	895	1.077	95.364	368,630,531	2.642	83.891
\$425,000 - \$449,999	664	0.799	96.164	290,080,516	2.079	85.970
\$450,000 - \$474,999	510	0.614	96.777	235,769,540	1.690	87.659
\$475,000 - \$499,999	417	0.502	97.279	203,191,614	1.456	89.116
\$500,000 and greater	2,260	2.721	100.000	1,518,669,562	10.884	100.000
Total	83,071	100.000%		\$13,952,898,603	100.000%	

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

Tax Rate

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. Significant changes in assessed value of taxable property in the district could affect the tax rate levied on taxpayers. See, “—Assessed Valuation of Property Within the District—Risk of Decline in Property Values” in this section, above.

One factor in the ability of taxpayers to pay additional taxes for school bonds is the cumulative rate of tax. 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 27.9% of the total assessed value of property in the District.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SUMMARY OF *AD VALOREM* TAX RATES
(DOLLARS PER \$100 OF ASSESSED VALUATION)

Typical Total Tax Rate (3-005)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 ⁽¹⁾
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Los Rios Community College District	.0074	.0124	.0090	.0192	.0193	.0181
Sacramento Unified School District	.0938	.0911	.0979	.0982	.0999	.1225
Total	\$1.1012	\$1.1035	\$1.1069	\$1.1174	\$1.1192	\$1.1406

⁽¹⁾ The 2013-14 assessed valuation of TRA 3-005 is \$7,456,100,539 which is 28.34% of the total assessed valuation of the District.

Source: California Municipal Statistics, Inc.

Tax Collections and Delinquencies

A school district's share of the 1% countywide tax is based on the allocation of property tax revenues to each taxing jurisdiction in the county in Fiscal Year 1978-79, as adjusted according to a complex web of statutory modifications enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Notes, 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's Office 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. If taxes remain unpaid by June 30, the tax is deemed to be in default. Penalties then begin 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 Tax Collector.

Annual bills for property taxes on the unsecured roll are generally issued in July, are due in a single payment within 30 days, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll. Unsecured taxes remaining unpaid at 5 p.m. on the last day of the second month after the 10% penalty attaches will be subject to an additional penalty of 1.5%, attaching on the first day of each succeeding month on the amount of the original tax. To collect unpaid taxes, the 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 interest of the taxpayer. The Tax Collector may also bring a civil suit against tax 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 for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district bonds.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the

County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

The following table shows a recent history of real property tax collections and delinquencies in the District.

**Sacramento City Unified School District
Secured Tax Charges⁽¹⁾
Fiscal Years 2005-06 through 2012-13**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2005-06	\$23,657,125	\$495,983	2.10%
2006-07	20,063,598	712,321	3.55
2007-08	22,499,937	899,744	4.00
2008-09	24,538,884	761,754	3.10
2009-10	22,583,246	572,615	2.54
2010-11	24,021,726	601,074	2.50
2011-12	24,460,162	412,252	1.76
2012-13	23,564,394	342,084	1.45

⁽¹⁾ Debt service levy only.

Source: California Municipal Statistics, Inc.

Dissolution of Redevelopment Agencies. Under California law, a city or county could, and did, prior to California legislation dissolving redevelopment agencies as described below, create a redevelopment agency in territory within one or more school districts. 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” to be applied to pass-through payments that would have been owed by the prior redevelopment agency, to the prior redevelopment agency’s obligations and administrative costs, and the remainder to be distributed to schools and other local taxing agencies. The District does not anticipate the dissolution of redevelopment agencies to have any significant effect on its total general revenues. See “State Funding of Education; State Budget Process—Dissolution of Redevelopment Agencies” herein.

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 California 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, 2013, 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.

The following tables contain District general fund data abstracted from financial statements prepared by the District’s independent auditor Crowe Horwath LLP, Certified Public Accountants & Consultants, Sacramento, California, for fiscal year 2009-10 through fiscal year 2012-13, and certain unaudited financial information provided by the District for fiscal year 2013-14. The District’s auditor has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has neither audited nor reviewed this Official Statement. The District is required by law to adopt its financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The District categorizes its general fund revenues into four sources: (i) local control funding formula sources, (ii) federal revenues, (iii) other State revenues, and (iv) other local revenues. Each of these revenue sources is described below:

Local Control Funding Formula. Funding of the District's local control funding is provided by a mix of local property taxes and State aid. Local control funding formula revenues comprised approximately 70.2% of the District's general fund revenues in 2013-14. The District anticipates that it will receive approximately \$218.6 million in base grant funding, \$32.8 million in supplemental grant funding and \$19.3 million in concentration grant funding and \$13.7 million in grade span and add ons for Targeted Improvement Block Grant and Transportation. The District also anticipates receiving additional moneys for the targeted instruction improvement grant, transportation, the K-3 class-size reduction grant and the 9-12 augmentation. These numbers incorporate categorical monies that are listed as "Other State Revenues" in the "Statement of General Fund Revenues, Expenditures and Changes in Fund Balance" table below and incorporate monies that get passed through to dependent charter schools. As such, the total LCFF/Revenue Limit set forth on the table below is approximately \$5.75 million less than the revenues described in this paragraph.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under The No Child Left Behind Act (NCLB) of 2001 (PL 107-110), and specialized programs such as nutrition education and Indian education. The federal revenues, most of which are restricted, comprised approximately 13.0% of the District's general fund revenues in 2013-14. On October 28, the US Department of Education (the "DOE") warned that California state legislation suspending federally mandated standardized testing could result in the loss of federal funds. The District cannot predict when or if it may experience a loss of federal revenues, or how such loss may affect the operations of the District.

Other State Revenues. As discussed above, the District receives State apportionment of aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan and various block grants. The other State revenues comprised approximately 14.1% of the District's general fund revenues in 2013-14.

The District receives revenue from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction or the financing of research.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, interagency services and other local sources. Other local revenues comprised approximately 2.3% of the District's general fund revenues in 2013-14.

SACRAMENTO CITY SCHOOL DISTRICT

Statement of General Fund Revenues, Expenditures and Changes in Fund Balance Fiscal Years 2009-10 through 2013-14

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14 ⁽¹⁾
REVENUES					
LCFF/Revenue Limit ⁽²⁾					
State Apportionment	\$154,299,252	\$165,947,805	\$165,358,995	\$167,285,273	\$226,163,871
Local Sources/Property Taxes	60,544,496	56,618,816	55,206,471	53,090,769	58,210,678
Total LCFF/Revenue Limit ⁽²⁾	\$214,843,748	\$222,566,621	\$220,565,466	\$220,376,042	\$284,374,549
Federal Revenue	57,663,445	72,051,245	47,367,141	47,813,970	52,306,677
Other State Revenue	113,183,976	109,156,582	108,799,926	103,236,312	56,588,893
Other Local Revenue	9,442,044	9,136,901	13,173,587	8,470,354	9,414,020
Total Revenues	\$395,133,213	\$412,911,349	\$389,906,120	\$379,896,678	\$402,684,138
EXPENDITURES					
Certificated Salaries	\$172,906,681	\$175,556,153	\$170,919,753	\$160,051,515	\$170,332,973
Classified Salaries	54,043,150	52,390,166	52,722,192	48,975,962	51,122,879
Employee Benefits	95,971,539	102,090,242	110,321,022	101,434,551	111,500,798
Books and Supplies	12,699,281	16,484,359	12,506,975	10,711,932	25,258,698
Services, Other Operating Expenditures	58,552,553	56,372,037	55,661,409	59,986,078	53,727,628
Capital Outlay	645,994	2,358,049	3,877,564	569,142	413,221
Other (outgo)	18,318	27,684	23,414	34,041	(1,708,274)
Debt service	2,328,317	576,329	1,993,953	2,177,203	2,159,698
Total Expenditures	\$397,165,833	\$405,855,019	\$408,025,782	\$383,940,424	\$412,807,621
Excess (Deficiency) of Revenues Over Expenditures	(2,032,620)	7,056,330	(18,119,662)⁽³⁾	(4,043,746)	(10,123,484)
Other Financing Sources (Uses):					
Transfers in	\$4,848,912	\$12,364,418	\$4,734,799	\$2,274,988	\$1,617,168
Transfers Out	(16,191,057)	(9,397,892)	(17,890)	-	(934,874)
Proceeds from Obligations/Liabilities ⁽⁴⁾	47,411	15,977	116,824	64,608	-
Net Financing Sources (Uses)	(\$11,294,734)	\$2,982,503	\$4,833,733	\$2,339,596	\$682,294
NET CHANGE IN FUND BALANCES					
Fund Balance – Beginning	\$37,687,945	\$24,360,591	\$34,399,424	\$21,113,495	\$19,409,345
Fund Balance – Ending	\$24,360,591	\$34,399,424	\$21,113,495	\$19,409,345	\$9,968,155⁽⁵⁾
Reserve for Economic Uncertainties ⁽⁶⁾	8,589,000	8,589,000	8,979,822	8,007,454	8,296,082

⁽¹⁾ 2013-14 Second Interim Financial Report; numbers may not add up due to rounding.

⁽²⁾ Revenue Limit for Fiscal Years 2009-10 through 2012-13. Local Control Funding Formula for Fiscal Year 2013-14.

⁽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⁾ Reflects "Proceeds from the issuance of capitalized lease obligations" for FY 2009-10; "Proceeds from the issuance of long-term liabilities" for FY 2010-11; "Proceeds from the issuance of debt" for FY 2011-12; and "Proceeds from capital lease obligations" for FY 2012-13.

⁽⁵⁾ See "Financial Issues" below.

⁽⁶⁾ The District must maintain a two percent unrestricted general fund reserve for economic uncertainty.

Source: Audited Financial Reports for Fiscal Years 2009-10 through 2012-13. District's 2013-14 Second Interim Report, adopted March 6, 2014 for Fiscal Year 2013-14.

Financial Issues. Since the economic crisis, revenues for school districts within the State have remained significantly below the 2008-2009 funding level. Despite efforts to reduce expenditures to reflect reduced revenues, staff reductions, furlough days, and the absence of cost-of-living raises have only helped reduce, but not eliminate, the pressure of depressed revenues. The District is currently working with its bargaining units to address the

District's need to control expenditures until ongoing revenues rebound. The District also anticipates that the passage of the LCFF will provide additional revenues on a going-forward basis. However, the LCFF implementing statutes do not force the legislature to fund the LCFF increases year-over-year. The LCFF projects revenue increases of approximately 12% per year, but due to the statutory uncertainty surrounding these increases, the District has anticipated increases of only 4.5% for purposes of long-range planning. In spring of 2013, the Sacramento County Office of Education, as part of their review of the District's budget, gave the District direction to include in its 2012-13 Third Period Interim Report a budget for Fiscal Year 2014-15 that eliminated deficit spending and in which all expenditures were funded with ongoing revenues. The District provided preliminary multi-year forecasts to the County Office of Education as requested. The projection provided to the Sacramento County Office of Education is not the District's Fiscal Year 2014-15 Budget; the District is legally required to adopt a budget for Fiscal Year 2014-15 in June 2014. The following table shows the general fund balance sheets of the District for the fiscal years 2007-08 through 2012-13.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Summary of General Fund Balance Sheet
as of June 30, 2008, 2009, 2010, 2011, 2012 and 2013

	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
ASSETS						
Cash and Investments						
Cash in County Treasury	\$1,388,345	\$14,471,421	\$3,401,030	\$7,280,382	\$8,287,352	\$9,329,475
Cash on Hand and in Banks	-	-	-	-	-	510,691
Cash in County Treasury, Restricted for Repayment of TRANS	30,000,000	-	-	-	-	-
Cash in Revolving Fund	225,000	225,000	225,000	225,000	225,000	225,000
Cash Awaiting Deposit	82,346	207,171	365,684	231,869	371,914	-
Deferred Compensation	6,801,324	5,896,346	6,503,281	7,622,667	8,185,424	2,424,401
Accounts Receivable	50,282,147	70,872,051	77,849,292	105,158,177	105,139,872	84,734,409
Prepaid Expenditures	64,464	-	10,450	26,601	2,254	55,686
Due from Other Funds	6,702,304	8,827,078	7,934,575	9,732,779	6,742,101	1,827,097
Stores Inventory	315,191	194,460	150,479	130,123	119,219	129,180
Total Assets	\$95,861,121	\$100,693,527	\$96,439,791	\$130,407,598	\$129,073,136	\$99,235,939
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$15,165,689	\$12,445,609	\$14,899,739	\$14,137,017	\$14,913,987	\$10,514,617
TRANS Payable	30,000,000	-	-	50,000,000	75,000,000	60,000,000
Deferred Compensation	6,801,324	5,896,346	6,503,281	7,622,667	8,185,424	2,424,401
Deferred revenue	2,720,781	10,544,835	6,682,064	5,062,889	1,767,694	1,709,477
Due to other funds	5,531,441	34,118,792	43,994,116	19,185,601	8,092,536	5,178,099
Total Liabilities	\$60,219,235	\$63,005,582	\$72,079,200	\$96,008,174	\$107,959,641	\$79,826,594
FUND BALANCES						
Total Fund Balances	\$35,641,886	\$37,687,945	\$24,360,591	\$34,399,424	\$21,113,495	\$19,409,345
Total Liabilities and Fund Balances	\$95,861,121	\$100,693,527	\$96,439,791	\$130,407,598	\$129,073,136	\$99,235,939

Source: District Audited Financial Report for Fiscal Years 2007-08 through 2012-13.

School Closures

On February 21, 2013, the District Board voted to confirm the closure of seven elementary schools within the District. The closure of the schools is estimated to save the District \$1.1 million in fiscal year 2013-14.

Employment

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

In its Budget, the District estimates that it will expend approximately \$333.0 million in salaries and benefits, or approximately 80.7% of its general fund expenditures in fiscal year 2013-14. This amount represents an increase of approximately 6.8% from the \$310.5 million the District expended in fiscal year 2012-13.

Labor Relations. As of January 31, 2014, the District employed approximately 3,249 employees, which include 1,965 certificated (credentialed teaching) employees, 1,118 classified (noninstructional) employees and 166 supervisory/other personnel. Certificated and classified employees are represented for collective bargaining purposes as shown below:

Sacramento City Unified School District Labor Organizations

Labor Organization	Employees Represented	Contract Expiration
Sacramento City Teachers Association	2,282	June 30, 2014 with reopeners ⁽¹⁾
Service Employees International Union	1,663	June 29, 2014 with reopeners
United Professional Educators	121	June 30, 2014 with reopeners
Teamsters	55	June 30, 2014 with reopeners
Classified Supervisors Association	22	June 30, 2014 with reopeners
Total	4,143	

⁽¹⁾ Reopeners in February, 2014.

Source: The District.

CalSTRS. Contributions to CalSTRS are established by state statute. Teachers contribute 8% of salary to CalSTRS, while school districts contribute 8.25%. In addition to the teacher and school contributions, the State contributes 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies 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.

Because of the downturn in the stock market, an actuarial valuation as of June 30, 2003 showed a \$118 million shortfall in the baseline benefits—one-tenth of 1% of accrued liability. Consequently, the surcharge kicked in for the first time in the fiscal year 2004-05 at 0.524% for three quarterly payments, which amounted to an additional \$92 million from the State's general fund in fiscal year 2004-05. However, in addition to the small shortfall in pre-enhancement benefits (triggering the surcharge), the June 30, 2003, valuation also showed a substantial \$23 billion unfunded liability for the entire system, including enhanced benefits. As indicated above, there is no required contribution from teachers, school districts or the State to fund this unfunded liability.

As of June 30, 2012, an actuarial valuation for the entire system, including enhanced benefits, showed an estimated unfunded actuarial liability of \$70.9 billion, an increase of \$6.4 billion from the June 30, 2011 valuation \$64.5 billion, which itself was an increase of \$8.5 billion from the June 30, 2010 valuation. 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.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005–06 proposed State budget and the 2005-06 May revise of the 2005-06 proposed State budget, the Governor previously proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State budget was adopted with a contribution rate of 8.25%. In addition to such prior proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been previously suggested that would modify the District's obligation to make contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If such proposals were adopted, the District's annual obligations to CalSTRS would likely increase substantially. Governor Brown, however, has recently signed a pension reform measure that is expected to reduce future pension obligations of public employers like the District. See “–Governor's Pension Reform” below.

The District's employer contribution to STRS from the general fund was \$14.1 million for fiscal year 2012-13 and is projected at approximately \$14.2 million in fiscal year 2013-14.

**Sacramento City Unified School District
Employer Contribution to STRS
Fiscal Years 2010-11 through 2013-14**

Fiscal Year	Contribution
2010-11	\$15,323,790
2011-12	14,823,475
2012-13	14,075,308
2013-14 ⁽¹⁾	14,192,304

⁽¹⁾ Budgeted.

Source: Audited Financial Report for Fiscal Years 2010-11 through 2012-13. The District's Second Interim Financial Report for Fiscal Year 2013-14.

CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

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.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2012, the CalPERS Schools plan had a funded ratio of 75.5% on a market value of assets basis, down from 78.7% as of June 30, 2011. The funded ratio as of June 30, 2010, June 30, 2009, June 30, 2008 and June 30, 2007 was 69.5%, 65.0%, 93.8% and 107.8%, respectively. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under such methodology, investment losses are amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period. In March, 2012, the CalPERS Board of Administration adopted new economic actuarial assumptions to be used with the June 30, 2011 actuarial valuation; in particular, lowering the price inflation assumption from 3.00% to 2.75%. Lowering the price inflation assumption resulted in a reduced discount rate, which is the fund's assumed rate of return calculated based on expected price inflation and the expected real rate of return, from 7.75% to 7.5%. According to CalPERS, this reduction in the discount rate is anticipated to increase State and school district employer contributions for each fiscal year beginning in fiscal year 2012-13 by 1.2% to 1.6% for miscellaneous plans (which includes general office and others) and by 2.2 to 2.4% for safety plans beginning in fiscal year 2012-13.

The District is required to contribute toward CalPERS, at a State-determined percentage of CalPERS-eligible salaries. For fiscal year 2012-13, the contribution percentage was 11.417%. The fiscal year 2013-14 contribution percentage is 11.442%. The District's total contribution from the general fund was \$5.2 million for fiscal year 2012-13 and is projected at approximately \$5.0 million in fiscal year 2013-14.

**Sacramento City Unified School District
Employer Contribution to CalPERS
Fiscal Years 2010-11 through 2013-14**

Fiscal Year	Contribution
2010-11	\$6,411,937
2011-12	6,640,921
2012-13	6,381,013
2013-14 ⁽¹⁾	5,097,776

⁽¹⁾ Budgeted.

Source: Audited Financial Report for Fiscal Years 2010-11 through 2012-13. The District's Second Interim Financial Report for Fiscal Year 2013-14.

CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS. The information set forth therein is not incorporated by reference in this Official Statement.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that will reform pensions for State and local government employees. AB 340, signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. The District cannot predict if any of the ongoing legal challenges to PEPRA will be successful.

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 liabilities are more fully described in APPENDIX B: "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013," Note 9. The District cannot predict whether or how the current and/or future lawsuits, if successful, will affect its contribution rates, the contribution rates of its employees or the various salary caps, vesting schedules, retirement ages and other variables that define its current benefit plans.

GASB 67 and 68. On June 25, 2012, the Governmental Accounting Standards Board (GASB) voted to approve two new standards that aimed to substantially improve the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, Financial Reporting for Pension Plans, revised existing guidance for the financial reports of most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, revised and established new financial reporting requirements for most governments that provide their employees with pension benefits.

Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement

68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

Statement 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. Statement 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014.

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.

The District implemented Governmental Accounting Standards Board Statement No. 45 (“GASB 45”) for the fiscal year ended June 30, 2008. GASB 45 directs certain changes in accounting for other 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 December 5, 2013, Bickmore Risk Management Services completed an evaluation of the District’s obligations as of December 1, 2012.

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 December 1, 2012, the most recent actuarial valuation date, the District had an AAL of approximately \$632.7 million for 3,444 current retirees and beneficiaries and 4,047 additional future participants. In its Budget for fiscal year 2013-14, the District estimates that it provides benefits to 3,622 current retirees. 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 \$18.20 million as of December 1, 2012. 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”). This District currently funds the costs of retiree benefits on a pay-as-you-go basis. The District expects to contribute approximately \$600,000 to the trust in Fiscal Year 2013-14, comprised of approximately \$400,000 in teacher contributions and approximately \$200,000 derived from savings generated by retirees who have chose to opt-out of the District’s health care plan.

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, 2013, the ARC was determined to be approximately \$47.4 million.

In 2012-13, the District funded \$29.0 million in pay-as-you-go expenditures. The District’s fiscal year 2013-14 projected pay-as-you-go expenditure for post-retirement benefits is \$24.6 million.

While the District had not contributed moneys to an irrevocable OPEB trust as of the valuation date of its most recent valuation report (December 1, 2012), the District subsequently contributed approximately \$3,663,655 to the California Employers’ Retiree Benefit Trust (the “CERBT”) for the Fiscal Year ending June 30, 2013. The assets

and any additional assets contributed to the CERBT will be applied to offset the Actuarial Accrued Liability and decrease the Unfunded Actuarial Accrued Liability as of the District's next valuation report.

See also APPENDIX B: "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013" Note 10.

Accrued Vacation and Other Obligations. The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2013 was \$7.6 million. See APPENDIX B: "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013," Note 10.

District Cash Flows

The District's general fund expenditures tend to be heaviest in the middle and end of the school year and lightest during the summer months. Receipts follow an uneven pattern, primarily because secured tax installment payment dates are in December and April. The District exercises virtually no control over the amount or timing of its own revenues. The level of receipts depends on assessed value of taxable property and State income. See "-State Funding of Education; State Budget Process" above. The timing of receipt of State funds is dictated by statute. The timing of receipt of local property tax revenues depends on County policy. The timing and level of expenditures are largely predictable, depending primarily on scheduled employee payrolls and benefits payments as negotiated with employee labor organizations for the current year.

Exhibits I and II below, show actual/projected General Fund cash receipts and disbursements for fiscal year 2013-14 and projected cash receipts and disbursements for fiscal year 2014-15. The fiscal year 2013-14 monthly receipts and disbursements take the receipt of Note proceeds and repayment of the Notes into consideration.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Exhibit I

**Sacramento City Unified School District
General Fund Cash Flow
Fiscal Year 2013-14
[TO BE UPDATED]**

	July	August	September	October	November	December	January	February	March	April	May	June	Total
Beginning Cash													
Receipts:													
Revenue Limit													
Property Taxes													
Principal													
Apportionment													
Miscellaneous Funds													
Federal Revenue													
Other State Revenues													
Other Local													
Revenues													
Interfund Transfers													
In													
2013 TRAN Deposit													
Total Receipts													
Disbursements:													
Certificated Salaries													
Classified Salaries													
Employee Benefits													
Supplies and													
Services													
Capital Outlay													
Other Outgo													
Interfund Transfers													
Out													
All Other Financing													
Uses													
Other Disbursements													
2012 TRAN													
Payment Pledge													
Total Disbursements													
Total Disbursements													
Prior Year													
Transactions													
Net Increase/Decrease													
Ending Balance													

Exhibit II

**Sacramento City Unified School District
General Fund Projected Cash Flow Through Note Repayment
Fiscal Year 2013-14
[TO BE UPDATED]**

	July	August	Total
Beginning Cash			
Receipts:			
Revenue Limit			
Property Taxes			
Principal Apportionment			
Miscellaneous Funds			
Federal Revenue			
Other State Revenues			
Principal Apportionment			
Other Local Revenues			
Interfund Transfers In			
All Other Financing Sources			
Other Receipts/Non-Revenue			
Total Receipts			
Disbursements:			
Certificated Salaries			
Classified Salaries			
Employee Benefits			
Supplies and Services			
Capital Outlay			
Other Outgo			
Interfund Transfers Out			
All Other Financing Uses			
Other Disbursements			
2013 TRAN Payment Pledge			
Total Disbursements			
Prior Year Transactions			
Net Increase/Decrease			
Ending Balance			
<hr/>			
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 each recent year 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 expects to issue a Tax and Revenue Anticipation Note in fiscal year 2013-14.

Issuance Date	Principal Amount	Interest Rate	Yield	Due Date
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
05/11/11	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

General Obligation Bonds. On October 19, 1999, voters in the District approved a bond measure authorizing the District to issue \$195,000,000 in general obligation bonds, colloquially known as “Measure E Bonds.” All of the Measure E Bonds have been issued. On June 30, 2011, the District issued \$79,585,000 in general obligation refunding bonds to refund a portion of its outstanding General Obligation Bonds (Election of 1999) Series B (the “Series 1999B Bonds”), General Obligation Bonds (Election of 1999) Series C (the “Series 1999C Bonds”), and General Obligation Refunding Bonds, Series 2001 (the 2001 Refunding Bonds”).

On June 14, 2012, the District issued \$113,245,000 in general obligation refunding bonds to refund all of its outstanding Series 1999B Bonds, all of its outstanding Series 1999C Bonds, a portion of its General Obligation Bonds (Election of 1999) Series D, a portion of its 2001 Refunding Bonds, and all of its General Obligation Bonds (Election of 2002) Series A.

On November 5, 2002, voters in the Sacramento City Unified School District approved a bond measure authorizing the District to issue \$225,000,000 in general obligation bonds, colloquially known as “Measure I” bonds. The District sold \$80,000,000 of the Measure I bonds on March 1, 2003, \$80,000,000 of the Measure I bonds on July 1, 2005, and \$64,997,966 of the Measure I bonds on November 14, 2007. All of the Measure I Bonds have been issued. A portion of its General Obligation Bonds (Election of 2002) Series 2005 (the “Series 2005 Bonds”) and its General Obligation Bonds (Election of 2002) Series 2007 remain outstanding. On January 30, 2014, the District issued \$44,535,000 in general obligation refunding bonds to refund a portion of its outstanding Series 2005 Bonds.

On November 6, 2012, voters in the Sacramento City Unified School District approved 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. \$42,900,000 of the Measure Q bonds and \$27,100,000 of the Measure R bonds have been issued. All remain outstanding.

The District’s outstanding general obligation bonds as of January 31, 2014 are summarized in the table below.

Issue Name	Issuance Date	Original Principal Amount	Amount Outstanding	Interest Rate	Original Due Dates
2002 Series 2005 ⁽¹⁾	07/01/2005	\$ 80,000,000	\$ _____	4.0-5.0	2012-2030
2002 Series 2007	11/14/2007	64,997,966	49,192,966	3.5-5.0	2012-2032
2011 Refunding Bonds	06/30/2011	79,585,000	72,190,000	3.0-5.5	2012-2030
2012 Refunding Bonds	06/14/2012	113,245,000	111,550,000	2.0-5.25	2013-2032
2013 Series A	07/16/2013	30,000,000	30,000,000	3.0-5.0	2016-2038
2013 Series B	07/16/2013	40,000,000	40,000,000	5.65	2038
2014 Refunding Bonds	01/30/2014	44,535,000	44,535,000	3.0-5.0	2014-2027

Approximately \$ _____ of the District’s general obligation bonds remains outstanding.

Certificates of Participation. On April 18, 2001, Certificates of Participation (“COPs”) of \$43,580,000 were issued with variable interest rates ranging from 4.1% to 5.0% maturing on March 1, 2031, for the advance refunding of Series 1999C COPs (with remaining 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 District will use a portion of the proceeds from the Bonds to pay rent under the Facility Lease to prepay all or a portion of the 2001 COPS.

On July 11, 2002, the District issued \$58,000,000 of Variable Rate Certificates of Participation for the advance refunding of 1998 Series A COPS (with remaining obligation of \$13,750,000) and 1999 Series D COPS (with remaining obligation of \$15,480,000) and to provide additional capital for construction projects. The District advance refunded and defeased its 1998 Series A COPS and the 1999 Series D COPS. The 2002 Variable Rate COPS were remarketed on March 14, 2011 in the aggregate principal amount of \$48,020,000, maturing on March 1, 2040. The 2002 Variable Rate COPS are currently in SIFMA Term Floater Rate Mode, which is scheduled to expire March 1, 2014, on which date the 2002 Variable Rate COPS are subject to mandatory tender (the "Mandatory Tender Date"). The District will purchase all or a portion of the 2002 COPS on the Mandatory Tender Date with a portion of the proceeds of the Bonds used to pay rent under the Facility Lease. If the District does not prepay the 2002 Variable Rate COPS, the interest rate borne by the 2002 Variable Rate COPS will increase to 9% and will stay at such rate until such date as they are refunded. Interest on these Variable Rate COPS is based on the SIFMA Term Floater Rate, determined by the Remarketing Agent as such terms are defined in the remarketing memorandum describing the issue.

Scheduled payments for the COPS are as follows:

Year Ending June 30,	COPS Payments
2014	\$3,071,175
2015	3,083,075
2016	3,101,495
2017	3,126,100
2018	3,141,975
2019-2023	6,127,250
2024-2028	19,134,000
2029-2033	18,836,750
2034-2038	18,060,000
2039-2040	10,015,000
Total payments	\$87,696,820
Less: Interest Portion	(17,546,820)
Net Minimum Payments	\$70,150,000 ⁽¹⁾

⁽¹⁾ Payment schedule does not reflect the refunding of the Prior Certificates or the issuance of the Bonds.

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. Certificates of Participation are not payable from special *ad valorem* taxes, but are payable instead from the District's General Fund. See the table above for a description of principal and interest owed on all bonds outstanding.

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 November 1, 2013, 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 credit 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

2013-14 Assessed Valuation: \$26,311,745,537

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 11/1/13</u>
Los Rios Community College District	17.951%	\$ 66,467,168
Sacramento City Unified School District	100.	373,907,966
City of Sacramento Community Facilities Districts	100.	5,685,000
City and Special District 1915 Act Bonds (Estimate)	Various	102,385,297
Southgate Recreation and Park Benefit Assessment District	17.860	951,961
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$549,397,392
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Sacramento County General Fund Obligations	21.954%	\$ 68,588,918
Sacramento County Pension Obligations	21.954	217,412,116
Sacramento County Board of Education Certificates of Participation	21.954	1,918,780
Los Rios Community College District Certificates of Participation	17.951	1,057,314
Sacramento City Unified School District Certificates of Participation	100.	80,160,000
Sacramento City Unified School District Pension Obligations	100.	2,255,000
City of Elk Grove General Fund Obligations	0.409	91,657
City of Rancho Cordova Certificates of Participation	10.804	2,380,121
City of Sacramento General Fund Obligations	58.892	399,096,361
Sacramento Metropolitan Fire District Pension Obligations	6.059	3,716,226
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$776,676,493
Less: Sacramento County supported obligations		1,417,131
City of Sacramento supported obligations		232,888,120
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$542,371,242
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		\$179,340,855
GROSS COMBINED TOTAL DEBT		\$1,505,414,740⁽²⁾
NET COMBINED TOTAL DEBT		\$1,271,109,489

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$373,907,966)	1.42%
Total Direct and Overlapping Tax and Assessment Debt	2.09%
Combined Direct Debt (\$456,322,966)	1.73%
Gross Combined Total Debt	5.72%
Net Combined Total Debt	4.83%

Ratios to Redevelopment Incremental Valuation (\$3,912,340,648):

Total Overlapping Tax Increment Debt	4.58%
--	-------

⁽¹⁾ Based on 2012-13 ratios.

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

Source: California Municipal Statistics, Inc.

Capital Financing Plan

The District has completed a Facilities Master Plan to determine district-wide facilities needs and identify funding sources. In 2008, the District issued the last series of bonds from the 2002 authorization to finance rehabilitation of facilities and new construction necessitated by the District's growth in the high school student

population. In addition to funds obtained under the 2002 authorization, facilities expenditures are expected to be funded through a combination of State construction programs, local sources and the District's general fund.

Insurance and Joint Ventures

Self Insurance. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's Self-Insurance Fund provides workers' compensation insurance for the District, Stanislaus Union School District, and Sylvan Union School District. Under this program the Self-Insurance Fund provides coverage through a Workers' Compensation Insurance Indemnity Fund. The District receives user charges based upon each members' respective covered payroll. Coverage is provided for workers compensation with \$350,000 per occurrence being self-funded. Costs above the first \$350,000 are covered by an excess insurance policy of up to \$25,000,000. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District receives property/casualty loss and general liability insurance coverage under the Internal Service Fund. A \$5,000,000 insurance policy is in effect with a deductible per occurrence of up to \$250,000. Costs above the first \$5,000,000 are covered by excess insurance policies of up to \$45,000,000 through SELF. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Joint Powers Authorities. 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. The District is also a member with other school districts of the Self-Insured Schools of California, also a JPA, which provides a means of combining the administration of claims and obtains lower insurance rates for the benefit of the District.

Sacramento County Treasury Pool

In accordance with Education Code Section 41001, substantially all District operating funds are required to be held by the Treasurer-Tax Collector of the County (the "County Treasurer"). See APPENDIX F hereto.

Neither the District nor the Underwriter has made an independent investigation of the investments in the County Pool and has made no assessment of the current County Investment Policy. The value of the various investments in the County Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, with the consent of the County Board of Supervisors, may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the County Pool will not vary significantly from the values described herein.

A complete copy of the County's Investment Policy is contained in APPENDIX D hereto.

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. To the extent students enroll in charter schools instead of the District, it reduces the District's overall revenue. However, the moneys transferred to charter schools "in-lieu" of property taxes are backfilled by State equalization aid. The District is also required to accommodate charter school students originating in the District in facilities comparable to those provided to regular District students. Twelve charter schools currently operate in the District's boundaries, four of which are dependent and eight of which are directly funded. As to the directly-funded schools, the District pays revenue in lieu of property taxes up to the revenue limit for charter students originating within the District. For fiscal year 2013-14, the District expects to make in-lieu payments in an amount equal to approximately \$5.8 million.

Total charter school enrollment is projected to be approximately 4,986 for fiscal year 2013-14.

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, 2013, the schedule of lease payments was as follows:

<u>Year Ending June 30</u>	<u>Capital Lease Payments</u>
Total Payments	
Less: Interest Portion	
Net Minimum Lease Payments	

SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS

District Budget Process and County Review

State law requires school districts to maintain 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 and 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 Board of Trustees 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 ("A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 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 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. The District has received a qualified certification in the last three fiscal years. The District budget has not received a negative certification by the County Superintendent in at least the most recent five fiscal years.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with the definitions, instructions and procedures of the California School Accounting Manual, as required by the State Education Code. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Crowe Horwath LLP, Sacramento, California, served as independent auditor to the District for fiscal year ended June 30, 2013, and their report is attached hereto as APPENDIX B. 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 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.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” and provides that such tax will be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (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 tax for payment of the District’s general obligation bonds approved at the 2012 election falls within the exception for bonds approved by a 55% vote.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. 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 restored value of the damaged property. The

California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

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

Article XIII C and Article XIII D of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, 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. 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. Article XIII C also 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 C also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the county treasurer and tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Notes or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIII C will not be construed to mean that any owner or Beneficial Owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIII D deals with assessments and property-related fees and charges. Article XIII D 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; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are restricted as to use and are neither pledged nor available to pay the Notes.

The interpretation and application of Proposition 218 continues to be considered and determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

Article XIII B of the California Constitution. In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual “appropriations limit” or “Gann Limit” imposed by Article XIII B of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such

proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity, each has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district’s revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years. If the State’s aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State’s contribution to school and college districts.

In fiscal year 2012-13, the District had an appropriations limit of \$224.8 million and appropriations subject to the limit of \$224.8 million. For fiscal year 2013-14, the District’s appropriations limit is budgeted at \$230.8 million.

Future Initiatives. Article XIII A, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 98 and 111 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.

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 Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer’s election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes 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 the opinion of Bond Counsel is set forth in APPENDIX A: “PROPOSED FORM OF OPINION OF BOND COUNSEL” hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity, or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the “original issue discount”). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Internal Revenue Service provides further guidance, taxpayers may treat either the stated

interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes if original issue discount treatment is elected.

Notes 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 Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Noteholder's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Noteholder. Holders of Premium Notes 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 Notes. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes 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 Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. 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 Notes may adversely affect the value of, or the tax status of interest on, the Notes. 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.

One of the covenants of the District referred to above requires the District to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Notes which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to ensure that interest on the Notes is excluded from gross income for federal income tax purposes. Under the Code, if the District spends 100% of the proceeds of the Notes within six months after issuance, there is no requirement that there be a rebate of investment profits in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The District expects to satisfy this expenditure test or, if it fails to do so, to make any required rebate payments from moneys received or accrued during the 2013-14 fiscal year. To the extent that any rebate cannot be paid from such moneys, State law is unclear as to whether such covenant would require the District to pay any such rebate. This would be an issue only if it were determined that the District's calculation of expenditures of Notes proceeds or of rebatable arbitrage profits, if any, was incorrect.

Although Bond Counsel is of the opinion that interest on the Notes 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 Notes may otherwise affect a Noteholder's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Noteholder or the Noteholder'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 Notes 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, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Notes to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Notes 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 Notes. Prospective purchasers of the Notes 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 Notes for federal income tax purposes. It is not binding on the 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 Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Noteholders regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Noteholders, 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 tax-exempt bonds is difficult, obtaining an independent review of the Internal Revenue Service's positions with which the District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Notes 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 Notes, and may cause the District or the Noteholders to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Notes and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is set forth in APPENDIX A: "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 the State of California

Under the provisions of the Financial Code of the State, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment funds of its depositors, and under provisions of the Government Code of the State 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 Notes 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 2012-13 fiscal year (which is due no later than March 31, 2014) 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 C: "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"). In fiscal years 2008-09 through 2010-11, the District failed to timely file certain material event notices and financial operating information required by the terms of its previous undertakings. In December 2013, the District put procedures in place to prevent future noncompliance, including hiring Capitol Public Finance Group ("Dissemination Agent") as Dissemination Agent. The Dissemination Agent assisted the District in filing all necessary information to make the District current in its continuing disclosure obligations under the Rule and will work with the District in establishing the necessary

safeguards to ensure timely filing of required information going forward. The following table indicates the information that the District failed to timely file but has since filed as of January 6, 2014.

Issue Name	Disclosure Type ⁽¹⁾	File Date
Election of 2002, Series 2005	2011 Annual Report	12/09/13
	2010 Annual Report	12/09/13
	2009 Annual Report	12/09/13
	Moody's 04/16/10 Rating Recalibration	01/03/14
	Moody's 06/08/11 Downgrade	12/09/13
	Fitch 04/30/10 Rating Recalibration	01/03/14
	Fitch 05/10/13 Downgrade	09/27/13
	Fitch 05/13/13 Withdrawal of Bond Insurer Rating	01/03/14
Election of 2002, Series 2007	2011 Annual Report	12/09/13
	2010 Annual Report	12/09/13
	2009 Annual Report	12/09/13
	Moody's 04/16/10 Rating Recalibration	01/03/14
	Moody's 06/08/11 Downgrade	12/09/13
	Moody's 01/17/13 Bond Insurer Downgrade	01/03/14
	Fitch 05/11/09 Bond Insurer Downgrade	01/03/14
	Fitch 10/12/09 Bond Insurer Downgrade	01/03/14
	Fitch 04/30/10 Rating Recalibration	01/03/14
	Fitch 05/10/13 Downgrade	09/27/13
	Fitch 05/13/13 Withdrawal of Bond Insurer Rating	01/03/14
Refunding Series 2011	Fitch 05/10/13 Downgrade	09/27/13
	Fitch 05/13/13 Withdrawal of Bond Insurer Rating	01/03/14
Refunding Series 2012	Moody's 01/17/13 Bond Insurer Downgrade	01/03/14
	Fitch 05/10/13 Downgrade	09/27/13
	Fitch 05/13/13 Withdrawal of Bond Insurer Rating	01/03/14
COP Series 2001	Moody's 04/16/10 Rating Recalibration	01/03/14
	Moody's 06/08/11 Downgrade	12/09/13
	Fitch 04/30/10 Rating Recalibration	01/03/14
	Fitch 05/10/13 Downgrade	09/27/13
COP Series 2011	Moody's 06/08/11 Downgrade	12/09/13
	Moody's 12/20/11 Downgrade	05/29/12
2002 Pension Revenue Bonds ⁽²⁾	2013 Annual Report	12/11/13
	2012 Annual Report	12/11/13
	2011 Annual Report	12/11/13
	2010 Annual Report	12/11/13
	2009 Annual Report	12/11/13
	Moody's 06/08/11 Downgrade	12/09/13
	Moody's 05/22/12 Downgrade	12/17/13

⁽¹⁾ The 2009, 2010, and 2011 Annual Reports were timely filed but did not disclose assessed value and tax delinquencies. The 2012 Annual Report disclosed the assessed value and tax delinquencies, but did not disclose the 20 top taxpayers. The 2013 Annual Report disclosed the 20 top taxpayers, as well as the rating downgrades that had not been previously disclosed.

⁽²⁾ Prior to 2013, only the audit and budget were disclosed for the 2002 Pension Revenue Bonds. The 2012 Annual Report was not reported for the 2002 Pension Revenue Bond CUSIPs, and the assessed value and tax delinquencies were not disclosed. The 2012 Annual report disclosed the assessed value and tax delinquencies, as well as the missing 20 top taxpayers.

Absence of Material Litigation

No litigation is pending or to the knowledge of the District threatened concerning the validity of the Notes, 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 Notes. No litigation is pending or to the knowledge of the District threatened questioning the political existence of the District or contesting the title to their offices of District or County officials who will sign the Notes and other certifications relating to the Notes, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to purchasers at the time of the original delivery of the Notes.

There are a number of lawsuits and claims routinely pending against the District. 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

Rating

The Notes have been assigned the rating of "[____]" by Standard & Poor's Rating Services ("Standard & Poor's"). 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 rating reflects only the views of the rating agency, and any explanation of the significance of such rating may be obtained only from Standard & Poor's at www.standardandpoors.com. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Notes. 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 to the District with respect to the Notes and will receive compensation from the District contingent upon the sale and delivery of the Notes. Capitol Public Finance Group is acting as Financial Advisor to the District with respect to the Notes and will receive compensation from the District contingent upon the sale and delivery of the Notes.

Underwriting

The Notes are being purchased for public offering by [Underwriter] (the "Underwriter"). The Underwriter has agreed to purchase the Notes for an aggregate price of \$_____, representing the principal amount of the Notes of \$_____, plus a premium of \$_____. The Official Notice of Sale, dated _____, 2014 (the "Official Notice of Sale") provides that the Underwriter will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Bond Counsel and certain other conditions. The Underwriter will represent to the District that the Notes have been reoffered to the public at the price or yield as stated on the cover page hereof.

The Underwriter may offer and sell the Notes to certain dealers and others at prices lower than the public offering price shown on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

Additional Information

Quotations from and summaries and explanations of the Notes, the Resolution providing for issuance of the Notes, 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The preparation, execution and distribution of this Official Statement have been duly authorized and approved by the Board of Education of the District.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____
Chief Business Officer

APPENDIX A

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

Board of Education
Sacramento City Unified School District
Sacramento, California

Sacramento City Unified School District
2013-14 Tax and Revenue Anticipation Notes
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Sacramento City Unified School District (the "District"), which is located in the County of Sacramento, California (the "County"), in connection with the issuance by the District of \$_____ aggregate principal amount of temporary notes designated the "Sacramento City Unified School District 2013-14 Tax and Revenue Anticipation Notes" (the "Notes"), pursuant to a resolution of the Board of Education of the District, adopted on _____, 2014 (the "Resolution") under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code.

In such connection, we have reviewed the Resolution, the tax certificate of the District relating to the Notes dated the date hereof (the "Tax Certificate"), certifications of officers of the District, and others, as to certain factual matters, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the documents mentioned in the preceding sentence. Our services did not include financial or other non legal advice. Finally, we undertake no responsibility

for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes constitute valid and binding obligations of the District. The principal of and interest on the Notes are payable from Pledged Revenues (as defined in the Resolution), and to the extent not so paid, are payable from any other moneys of the District lawfully available therefor.

2. Interest on the Notes 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. The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX B

**FINANCIAL STATEMENTS OF THE DISTRICT FOR THE
FISCAL YEAR ENDED JUNE 30, 2013**

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT (SACRAMENTO COUNTY, CALIFORNIA) 2013-14 TAX AND REVENUE ANTICIPATION NOTES

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Sacramento City Unified School District (the “District”) in connection with the issuance of the above-named notes (the “Notes”). The Notes are being issued pursuant to a resolution adopted by the Board of Education of the District on _____, 2014 (the “Resolution”). The District covenants and agrees as follows:

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

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

“Annual Report” means any Annual Report of Sacramento City Unified School District provided by the District pursuant to, and as described in, Section 3 hereof.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Notes (including persons holding Notes through nominees, depositories or other intermediaries).

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

“EMMA System” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“Holders” shall mean either the registered owners of the Notes, or, if the Notes are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

“Listed Events” shall mean any of the events listed in Section 3(a) or 3(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 the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

“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. 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 Notes in a timely manner 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 Notes, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 3(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;
2. Modifications to rights of Note holders;
3. Optional, unscheduled or contingent Note calls;
4. Release, substitution, or sale of property securing repayment of the Notes;
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 trustee or the change of name of a trustee.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the District shall determine if such event would be material under applicable federal securities laws.

(d) If the District learns of the occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(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. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (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 Notes pursuant to the Resolution.

SECTION 4. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 5. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in a filing with the MSRB.

SECTION 6. 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. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. 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 this Disclosure Certificate. The District hereby appoints Capitol Public Finance Group, LLC as the initial Dissemination Agent.

SECTION 7. 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) or 3(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, 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 Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed 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 Notes.

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 3(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 8. 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 9. 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 Notes 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.

SECTION 10. 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 Notes, and shall create no rights in any other person or entity.

SECTION 11. Governing Law. This Disclosure Certificate is made in the State of California and is to be construed under the Constitution and laws of such State.

SECTION 12. 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: _____, 2014

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Ken A. Forrest, Chief Business Officer

APPENDIX D

COUNTY OF SACRAMENTO ANNUAL INVESTMENT POLICY AND POOLED INVESTMENT FUND REPORT

In accordance with Education Code Section 41001, substantially all District operating funds are required to be held by the Director of Finance of the County (the “Director of Finance”). The following information has been provided by the Director of Finance. The District has not independently verified this information and takes no responsibility for the accuracy or completeness thereof. Further information may be obtained from the Director of Finance.

The Board of Supervisors (the “Board”) of the County last adopted an investment policy (the “County Investment Policy”) in 2013. State law requires the Board to approve any changes to the investment policy.

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this appendix 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 Notes or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Notes, 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 Notes, "Issuer" means the District, and "Agent" means the Paying Agent.

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.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
2013-14 TAX AND REVENUE ANTICIPATION NOTES**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Sacramento City Unified School District (the “District”) in connection with the issuance of the above-named notes (the “Notes”). The Notes are being issued pursuant to a resolution adopted by the Board of Education of the District on April 3, 2014 (the “Resolution”). The District covenants and agrees as follows:

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

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

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Notes (including persons holding Notes through nominees, depositories or other intermediaries).

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

“Holders” shall mean either the registered owners of the Notes, or, if the Notes are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

“Listed Events” shall mean any of the events listed in Section 3(a) or 3(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 the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

“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. 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 Notes in a timely manner 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. 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 Notes, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 3(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with

respect to the tax status of the Notes or other material events affecting the tax status of the Notes;

2. Modifications to rights of Note holders;
3. Optional, unscheduled or contingent Note calls;
4. Release, substitution, or sale of property securing repayment of the Notes;
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 trustee or the change of name of a trustee.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the District shall determine if such event would be material under applicable federal securities laws.

(d) If the District learns of the occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(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. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (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 Notes pursuant to the Resolution.

SECTION 4. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 5. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in a filing with the MSRB.

SECTION 6. 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 initial Dissemination Agent shall be the [District].

SECTION 7. 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) or 3(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, 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 Notes, 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 Notes.

SECTION 8. 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 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 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 notice of occurrence of a Listed Event.

SECTION 9. 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 Notes 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.

SECTION 10. 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 Notes, and shall create no rights in any other person or entity.

Date: _____, 2014

**SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT**

By _____
Chief Business Officer