



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 10.5

Meeting Date: November 20, 2014

Subject: **Resolution No. 2815: Authorizing the Issuance and Sale of Not to Exceed \$34 Million Sacramento City Unified School District General Obligation Refunding Bonds and Approving Certain Actions and Documents in Connection Therewith**

- ☐ Information Item Only
- ☐ Approval on Consent Agenda
- ☐ Conference (for discussion only)
- ☒ Conference/First Reading (Action Anticipated: December 4, 2014)
- ☐ Conference/Action
- ☐ Action
- ☐ Public Hearing

Division: Business Services

Recommendation: Approve Resolution No. 2815 authorizing the issuance and sale of refunding bonds and approving forms of documents and actions of officers of the District necessary in connection with the refunding of General Obligation bonds.

Background/Rationale: In 2002, the voters passed a Proposition 39 election for \$225 million. The Series 2005 and Series 2007 bonds were sold with an optional redemption which allows the District to call the bonds earlier than their stated maturity.

General Obligation bonds are backed by local tax revenues and the obligation of the bond's debt service is separate from the general fund of the District. As authorized by taxpayer, the county director of finance is obligated to levy ad valorem taxes on a property subject to taxation in the District.

Refunding bonds provide a savings to the taxpayers in the form of debt service relief. The attached documents provide authorization to move forward with the refunding. The cost of issuance will be taken into consideration as part of the financing.

Financial Considerations: All savings accrue to taxpayers, no impact to the general fund.

Documents Attached:

1. Executive Summary
2. Power Point Presentation
3. Authorizing Resolution No. 2815
4. Preliminary Official Statement
5. Paying Agent Agreement
6. Bond Purchase Contract
7. Escrow Agreement
8. Continuing Disclosure Certificate

Estimated Time of Presentation: 10 Minutes

Submitted by: Gerardo Castillo, Interim Chief Business Officer

Approved by: José L. Banda, Superintendent

Board of Education Executive Summary

Business Services

Resolution No. 2815: Issuance and Sale of Not to Exceed \$34,000,000

General Obligation Refunding Bonds

November 20, 2014



I. OVERVIEW/HISTORY:

The District received authorization at an election held on November 5, 2002, by more than 55% of the votes cast by eligible voters, to issue General Obligation bonds in an aggregate principal amount not to exceed \$225 million. On July 19, 2005 the District issued the Election of 2002, Series 2005 General Obligation Bonds. On November 14, 2007 the District issued the Election of 2002, Series 2007 General Obligation Bonds. Each series of Bonds were sold with optional redemptions, which allows the District to call the bonds earlier than their stated maturities for economic reasons, namely to take advantage of lower interest rate environments.

In recent years, interest rates have remained low. This environment allows the District an opportunity to issue refunding bonds by calling the existing bonds and issuing new bonds at a lower interest rate reducing debt service and creating tax savings to the District taxpayers. Preliminary numbers indicate that a refunding of a portion of the Series 2005 Bonds produce savings on a present value basis of approximately 13 percent of the par amount of the bonds. This equates to approximately \$3 million over the life of the bonds. For the Series 2007 Bonds, the current refunding analysis produces savings on a present value basis of approximately 3.5 percent of the par amount of the bonds. This equates to approximately \$535,000 over the life of the bonds. Five percent is the minimum savings to proceed with a refunding. If a series of Bonds is not refunded at this time staff will monitor for future refunding opportunities.

II. DRIVING GOVERNANCE:

- California Government Code sections 53550 and 53552 state that General Obligation bonds may be refunded without a vote of the voters provided that the term is not extended and the debt service costs are not increased.
- California Government Code section 53559 states that the county director of finance will continue to administer the tax levy for debt service for the bonds.

III. BUDGET:

General Obligation bonds are voter-approved debt, which are secured by the legal obligation to levy ad valorem property taxes sufficient to pay annual debt services. General Obligation bonds are independent from the District's general fund. As authorized by the taxpayers, the county director of finance is obligated to levy ad valorem taxes on property subject to taxation in the District. Economic savings generated by a bond issuance refunding would benefit District taxpayers.

Board of Education Executive Summary

Business Services

Resolution No. 2815: Issuance and Sale of Not to Exceed \$34,000,000

General Obligation Refunding Bonds

November 20, 2014



IV. Goals, Objectives and Measures:

As part of the District's fiduciary responsibility to District taxpayers, staff and the District's financial advisor from Capitol PFG will present the refunding opportunity.

V. Major Initiatives:

- Debt service savings for the taxpayers.
- No financial impact to the general fund.

VI. Results:

Recognizing its responsibility to District taxpayers, the District is managing an overall financial long-term plan for the District that includes regular review of opportunities to reduce General Obligation bond debt service.

VII. Lessons Learned/Next Steps:

- The attached documents are presented to the Board as a conference item. This item will come back to the Board on December 4, 2014, as an action on consent item.



Refinance of the District's Series 2005 & 2007 Measure I General Obligation Bonds

Board Item #__._

November 20, 2014



Agenda

Background



Refinance Opportunity



Next Steps



Background

November 2002, the District's voters approved Measure I

- A \$225 million bond measure

In July 2005, the District issued \$80 million of Measure I Bonds Series 2005

- Bonds allow prepayment prior to maturity on July 1, 2015

In November 2007, the District issued \$65 million of Measure I Bonds Series 2007

- Current Interest Bonds allow prepayment prior to maturity on July 1, 2017



Background

In January 2014, approximately \$46 million of Series 2005 Bonds were refunded

- Present value savings of approximately \$2.9 million or 6.25% of bonds refunded
 - All Savings passed on to the taxpayers

Current interest rates are low

- An opportunity to refinance remaining portion of the Series 2005 Bonds for savings
- Possible opportunity to refinance callable portion of the Series 2007 Bonds for savings



Plan of Refinance for Series 2005 Bonds

- Approximately \$21.5 million of Series 2005 bonds remain outstanding
 - Projected net present value savings of approximately \$3.0 million based on current market rates and “A+” Standard & Poor’s rating
 - Equates to 15.5% savings of refunded bonds which exceeds 13% target

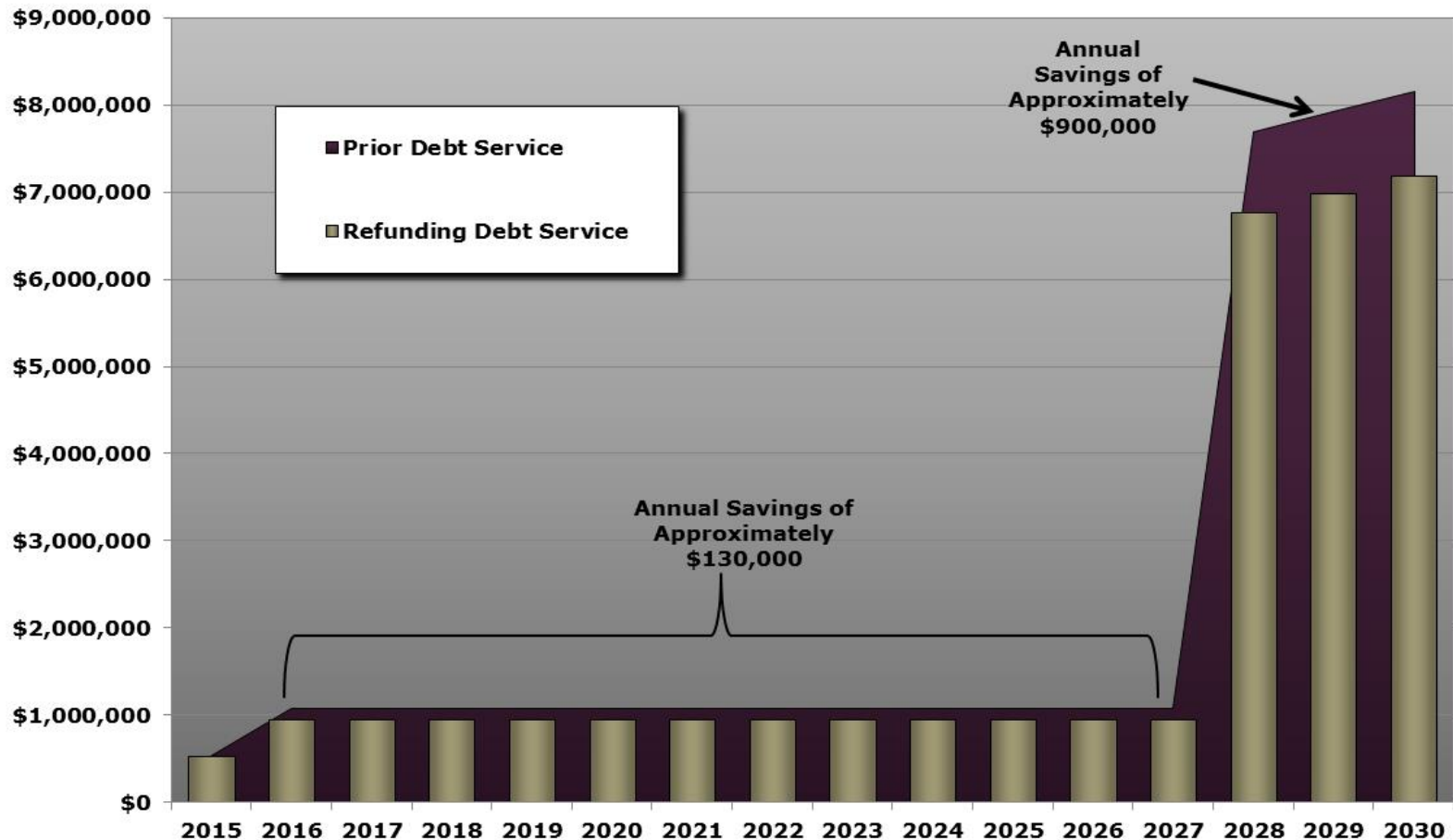


Plan of Refinance for Series 2007 Bonds

- Approximately \$15.2 million of Series 2007 callable bonds remain outstanding
 - Projected net present value savings of approximately \$535,000
 - Equates to 3.5% savings of refunded bonds which is less than 5% target
 - Board can authorization refinance of Series 2007 Bonds if savings meets target at time of pricing



Refinancing the Series 2005 Bonds Can Save the District's Taxpayers Approximately \$130,000 Per Year for 12 years and \$900,000 for 3 years, a Net Present Value Savings of Approximately \$3,000,000 or 13% of Bonds Refunded





Estimated Sizing for Refunding of 2005 GO Bonds	
Sources of Funds	
Par Amount	\$19,165,000
Premium	\$3,317,280
Total Sources	\$22,482,280
Uses of Funds	
Escrow Deposit	\$22,122,601
Costs of Issuance	\$190,000
Underwriter's Discount	\$76,660
Bond Insurance	\$82,522
Contingency	\$10,498
Total Uses	\$22,482,280



Estimated Costs of Issuance	
Description	Estimated Amount
Orrick, Sutcliffe & Herrington	
Professional Services (Bond & Disclosure Counsel)	\$62,500
Out-of-Pocket Expenses	\$2,500
Capitol Public Finance Group	
Professional Services (Financial Advisor)	\$65,000
Regulatory and Compliance Expenses	\$4,500
Other Expenses	
Standard & Poor's (Rating Agency)	\$25,000
Lozano Smith (General Counsel)	\$4,000
Cal-Muni Statistics	\$2,500
Wells Fargo (Escrow/Paying Agent)	\$4,500
Verification Agent	\$3,000
AVIA (Printing & Freight)	\$4,500
Contingency	\$12,000
Estimated Total Costs of Issuance	\$190,000



Summary of Legal Documents to be Considered by Resolution

Paying Agent Agreement



Bond Purchase Contract



Escrow Agreement



Continuing Disclosure Certificate



Preliminary Official Statement



Next Steps

Board action item on December 4



Bond Pricing in early January



Bond Closing by end of January

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

RESOLUTION NO. 2815

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
REFUNDING BONDS AND APPROVING FORMS OF DOCUMENTS
AND AUTHORIZING AND DIRECTING ACTIONS OF OFFICERS OF
THE DISTRICT NECESSARY IN CONNECTION THEREWITH.**

WHEREAS, this Board of Education (the “Board”) of the Sacramento City Unified School District (herein called the “District”), of the County of Sacramento, California (the “County”), has heretofore issued or caused to be issued its “Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005” (the “Series 2005 Bonds”) of which \$[21,585,000] remain outstanding and its “Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2007” (the “Series 2007 Bonds”) of which \$47,492,966.35 remain outstanding (such outstanding portions of the Series 2005 Bonds and the Series 2007 Bonds are referred to herein as the “Outstanding Bonds”);

WHEREAS, this Board has determined, and does hereby declare, that it is necessary and desirable and that the prudent management of the fiscal affairs of the District requires that all or a portion of the Outstanding Bonds now be refunded (such bonds to be refunded being referred to herein as the “Prior Bonds”);

WHEREAS, pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Government Code”) and other applicable law, and pursuant to the respective resolutions under which each series of the Outstanding Bonds was issued, the District is authorized to issue refunding bonds (the “Refunding Bonds”) to refund all or a portion of the District’s Outstanding Bonds, and to sell its Refunding Bonds on a negotiated sale basis;

WHEREAS, this Board has determined that because of the need for flexibility in timing and structuring the sale of the Refunding Bonds in order to achieve maximum interest cost savings, it is desirable to sell the Refunding Bonds on a negotiated basis;

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

WHEREAS, this Board acknowledges that the issuance of Refunding Bonds to refinance any of the Prior Bonds more than 90 days in advance of the date of redemption thereof shall preclude any advance refunding of the portion of the Refunding Bonds issued for such purpose;

WHEREAS, Wells Fargo Bank, National Association has been requested to act as Paying Agent (herein called the “Paying Agent”) with respect to the Refunding Bonds, and will act as Escrow Agent (the “Escrow Agent”) with respect to the Prior Bonds;

WHEREAS, the District proposes to execute and deliver an Escrow Agreement with the Escrow Agent directing the creation of an escrow fund for deposit of proceeds of sale of the Refunding Bonds for the purpose of paying and redeeming the Prior Bonds;

WHEREAS, there have been submitted and are on file with the Secretary of this Board proposed forms of a Bond Purchase Contract, a Paying Agent Agreement, an Escrow Agreement, an Official Statement and a Continuing Disclosure Certificate, all with respect to the Refunding Bonds proposed to be issued and sold, and the Superintendent of the District has examined or caused to be examined each document and has approved the forms thereof, and has recommended that this Board approve and direct the completion, where appropriate, and the execution of the documents and the consummation of such financing;

WHEREAS, this Board desires that the Director of Finance of the County of Sacramento (the “Director of Finance”) should collect a tax on all taxable property within the District sufficient to provide for payment of the Refunding Bonds, and intends by the adoption of this Resolution to notify the Board of Supervisors, the Director of Finance, and other officials of the County of Sacramento, that they should take such actions as shall be necessary to provide for the levy and collection of such a tax and payment of the Refunding Bonds and such portion, if any, of the Outstanding Bonds as shall remain outstanding following the issuance of the Refunding Bonds;

WHEREAS, this Board has appointed the firm of Orrick, Herrington & Sutcliffe LLP as bond counsel and disclosure counsel, Capitol Public Finance Group, LLC as financial advisor, and Stifel Nicolaus & Company, Inc., as underwriter (the “Underwriter”), all in connection with the issuance and sale of the Refunding Bonds;

NOW, THEREFORE, the Board of Education of Sacramento City Unified School District does hereby RESOLVE, DETERMINE AND ORDER, as follows:

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

Section 2. Authorization of Refunding Bonds and of Redemption of Prior Bonds; Application of Proceeds of Sale. The Board hereby authorizes the sale and issuance of one or more series of refunding bonds of the District and the provisional designation of said bonds as the “Sacramento City Unified School District 2015 General Obligation Refunding Bonds” in an aggregate principal amount not to exceed \$34,000,000, which amount shall be finally determined by the Superintendent of the District, the Chief Business Officer of the District, or such other officer of the District designated for the purpose (each, an “Authorized District Representative”), in accordance with the provisions of Section 7 hereof and with the general laws of the State of California.

Proceeds from the sale of the Refunding Bonds are hereby authorized to be applied only as permitted by Article 9 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, including to acquire escrow securities or otherwise to pay or provide for

payment of the principal of the Prior Bonds upon redemption thereof; to pay all expenses incident to the calling, retiring or paying of the Prior Bonds and to the issuance of the Refunding Bonds, including: financial advisory fees, underwriting fees, printing fees, rating fees, bond and disclosure counsel fees, charges of the Paying Agent in connection with the issuance and payment of the Refunding Bonds; charges of the Escrow Agent in connection with the redemption of the Prior Bonds; interest upon the Prior Bonds from the dated date of the Refunding Bonds to the maturity or earlier redemption date of the Prior Bonds; any premium payable upon the redemption of the Prior Bonds; and the costs of any bond insurance or other credit enhancement with respect to the Refunding Bonds. The Board hereby further determines that all interest or other gain derived from the investment of proceeds of the Refunding Bonds may be applied to pay such costs of issuance of the Refunding Bonds.

Section 3. Terms of Refunding Bonds. The maximum nominal annual interest rate on the Refunding Bonds shall be the statutory limit of 8%, payable as described in the Paying Agent Agreement referred to in Section 4 hereof. The Refunding Bonds shall mature on a date or dates, in such of the years, beginning no earlier than July 1, 2015 and concluding no later than the final maturity of the Prior Bonds, as shall be specified in the Bond Purchase Contract described in Section 7 hereof. No Refunding Bonds shall have principal maturing on more than one principal maturity date; however it shall not be necessary that a portion of the aggregate principal amount mature in each year.

The Refunding Bonds shall be issued as current interest Refunding Bonds.

The aggregate principal amount of the Refunding Bonds, the date thereof, the maturity dates, principal amounts and annual rates of interest of each maturity thereof, the initial and semiannual interest payment dates thereof, and the terms of optional and mandatory sinking fund redemption thereof, shall be as specified in the Bond Purchase Contract approved in Section 7 below. The Bond Purchase Contract may specify that the Refunding Bonds are not subject to optional or mandatory sinking fund redemption prior to maturity.

Section 4. Paying Agent Agreement. The form of instrument entitled "Paying Agent Agreement," tentatively dated as of January 1, 2015, by and between the District and Wells Fargo Bank, National Association, as Paying Agent, in substantially the form on file with the Secretary of the Board, is hereby approved and authorized. The Authorized District Representative is hereby authorized and directed to execute and deliver an instrument in substantially said form, completed with terms as shall be agreed to by the Authorized District Representative in accordance with this Resolution, and with such other changes therein as the Authorized District Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. All other terms of the Refunding Bonds required by Sections 53553 and 53554 of the Government Code and not otherwise specified herein shall be as specified in the Paying Agent Agreement.

Section 5. Escrow Agreement. The form of instrument entitled "Escrow Agreement," tentatively dated as of January 1, 2015, by and between the District and Wells Fargo Bank, National Association, as Escrow Agent, in substantially the form on file with the Secretary of the Board, is hereby approved and authorized. The Authorized District Representative is hereby authorized and directed to execute and deliver an instrument in

substantially said form, completed with terms as shall be agreed to by the Authorized District Representative in accordance with this Resolution, and with such other changes therein as the Authorized District Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. Official Statement. The Official Statement relating to the Refunding Bonds, in substantially the form on file with the Secretary of the Board (the "Official Statement"), is hereby approved as the Official Statement of the District with respect to the Refunding Bonds, with such changes, additions and corrections as the Authorized District Representative may hereafter approve, and the Underwriter is hereby authorized to prepare and distribute copies of such Official Statement in preliminary form to persons who may be interested in purchasing the Refunding Bonds. The Authorized District Representative is hereby authorized to certify on behalf of the District that the preliminary form of the Official Statement was deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Authorized District Representative is hereby authorized and directed to sign said Official Statement in its final form, including the final pricing information, and to furnish the Underwriter with copies thereof, and the initial purchaser is hereby authorized and directed to deliver copies of such Official Statement in final form to subsequent purchasers of the Refunding Bonds.

Section 7. Bond Purchase Contract; Sale of Refunding Bonds. The form of proposed Bond Purchase Contract is hereby approved and adopted as the contract for purchase and sale of the Refunding Bonds in substantially the form on file with the Secretary of the Board, and the Authorized District Representative is hereby authorized and directed to execute and deliver an instrument in substantially said form to the Underwriter for the transaction, completed with terms as the Authorized District Representative shall have agreed to in accordance with this Resolution, and with such other changes therein as the Authorized District Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided that (i) the total net interest cost to maturity on the Refunding Bonds plus the aggregate principal amount of the Refunding Bonds shall be less than the total net interest cost to maturity on the Prior Bonds plus the aggregate principal amount of the Prior Bonds; (ii) the present value of the debt service savings with respect to the Prior Bonds shall be at least 5% of the aggregate principal amount of such Prior Bonds; (iii) the underwriter's discount shall not exceed 0.70% of the aggregate principal amount of the Refunding Bonds; and (iv) the Refunding Bonds shall otherwise conform to the limitations specified herein and imposed by the general laws of the State.

Section 8. Request for Necessary County Actions. (a) The Board of Supervisors, the Director of Finance, and other officials of the County, are hereby requested to take and authorize such actions as may be necessary pursuant to law to provide for the levy and collection of a property tax on all taxable property of the District sufficient to provide for payment of all principal of, redemption premium, if any, and interest on the Refunding Bonds as the same shall become due and payable, and to apply moneys in the District's Interest and Sinking Fund as necessary to the payment of the Refunding Bonds, pursuant to the Paying Agent Agreement, and to the payment of any Prior Bonds which are to remain outstanding, pursuant to the respective paying agent agreement under which such bonds were issued. The Secretary of the Board is

hereby authorized and directed to deliver certified copies of this Resolution to the Clerk of the Board of Supervisors of the County and the Director of Finance. The Board hereby agrees to reimburse the County for any costs associated with the levy and collection of said tax, upon such documentation of said costs as the District shall reasonably request.

(b) The Board of Supervisors and the Director of Finance and other officials of the County, are hereby requested to take and authorize such actions as may be necessary, upon, but only upon, the issuance of the Refunding Bonds, to discontinue the levy of property taxes on all taxable property of the District for the payment of the Prior Bonds, pursuant to Section 53561 of the Government Code.

Section 9. Notice of Redemption of Prior Bonds. The Escrow Agent is hereby authorized and directed to give notice of redemption of the Prior Bonds to be redeemed as shall be required by the Escrow Agreement and pursuant to the terms of the Prior Bonds, as applicable.

Section 10. Continuing Disclosure. The form of instrument entitled, "Continuing Disclosure Certificate," in substantially the form on file with the Secretary of the Board, is hereby approved and authorized. The Authorized District Representative is hereby authorized and directed on behalf of the District to execute and deliver such Continuing Disclosure Certificate in substantially said form, with such changes thereto as deemed necessary in order to permit the Underwriter to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate.

Section 11. Appointment of Bond Counsel, Disclosure Counsel and Financial Advisor. Orrick, Herrington & Sutcliffe LLP is hereby appointed as bond counsel and disclosure counsel, and Capitol Public Finance Group, LLC is hereby appointed as financial advisor with respect to the Refunding Bonds.

Section 12. Authorization of Further Actions. (a) The Underwriter, bond counsel, financial advisor and the appropriate District officials are hereby authorized and directed to continue to prepare the necessary legal documents to accomplish said financing and the other transactions authorized herein, and to take any and all necessary actions in connection therewith.

(b) The officers and employees of the District are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized, and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution. The President of the Board, the Superintendent of the District, the Secretary of the Board, and the other officers and employees of the District (as further instructed by the Superintendent) are hereby authorized and directed to provide for the purchase of escrow securities, to engage certified public accountants to verify the sufficiency of funds deposited in escrow, to execute and deliver any and all notices, certificates and representations, including signature certificates, no-litigation certificates, tax certificates, certificates relating to continuing disclosure obligations, notices to the California Debt and Investment Advisory Commission, and certificates concerning the Official Statement describing

the Refunding Bonds, and to enter into such agreements or contracts, including as may be necessary to obtain bond insurance with respect to the Refunding Bonds, paying agent services or verification agent services with respect to the Refunding Bonds, or escrow agent services with respect to the Prior Bonds, as such officers deem necessary and desirable to accomplish the purposes of this Resolution.

(c) If, in order to sell the Refunding Bonds in separate series, the District is required to prepare and deliver additional official statements, paying agent agreements, escrow agreements, bond purchase agreements, continuing disclosure certificates, or other authorized documents, preparation and delivery of such additional documents substantially in the forms presented herewith and subject to the terms set forth herein is hereby authorized. Actions of the Authorized District Representative heretofore taken to accomplish the purposes of this Resolution and consistent herewith are hereby ratified.

Section 14. Ratification of Actions. All actions heretofore taken by the officers and agents of the District with respect to the sale, execution and delivery of the Refunding Bonds, the acquisition of escrow securities, and the other transactions authorized and contemplated herein, are hereby approved, confirmed and ratified.

Section 15. Indemnification. The District shall indemnify and hold harmless, to the extent permitted by law, the County and its officers and employees ("Indemnified Parties"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Parties may become subject because of action or inaction related to the Refunding Bonds, except with respect to such actions which said Indemnified Parties are exclusively authorized and required to perform on behalf of the District pursuant to law. The District shall also reimburse any such Indemnified Parties for any legal or other expenses incurred in connection with investigating or defending any such claims or actions.

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

PASSED AND ADOPTED this day, December 4, 2014, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

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

ATTEST:

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

CLERK'S CERTIFICATE

I, José L. Banda, Secretary of the Board of Education of the Sacramento City Unified School District, County of Sacramento, California, hereby certify as follows:

The attached is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly held at the regular meeting place thereof on December 4, 2014, and entered in the minutes thereof, 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 have carefully compared the same with the original minutes of said meeting on file and of record in my office. 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 December 2014.

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

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2014

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Standard & Poor's: "___"
(See "MISCELLANEOUS—Ratings" herein.)

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



\$ _____ *

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
2015 GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery**Due: July 1, as shown on the inside cover**

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 2015 General Obligation Refunding Bonds (the "Bonds"), in the aggregate principal amount of \$ _____ *, are being issued by the Sacramento City Unified School District (the "District") located in the County of Sacramento (the "County"), pursuant to a resolution adopted by the Board of Education of the District on December 4, 2014, for the purpose of providing funds (i) to defease and refund all or a portion of the District's remaining outstanding General Obligation Bonds, Election of 2002, Series 2005 and Election of 2002, Series 2007 (collectively the "Prior Bonds"), and (ii) to pay costs of issuance of the Bonds. See "PLAN OF REFUNDING" herein. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

The Bonds will be issued as current interest bonds. Interest on the Bonds is payable commencing on [July 1], 2015, and each January 1 and July 1 thereafter to maturity. Principal of the Bonds is payable on July 1 in each of the years and in the amounts set forth in the Maturity Schedule on the inside cover of this Official Statement. Payments of principal of and interest on the Bonds will be made by the Paying Agent to The Depository Trust Company, New York, New York ("DTC"), for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS—Payment of Principal and Interest" and "APPENDIX G—BOOK-ENTRY ONLY SYSTEM" herein.

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

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

MATURITY SCHEDULE*See Inside Cover*

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to approval of their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District by Orrick Herrington & Sutcliffe LLP, as Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2015.

Stone & Youngberg LLC

This Official Statement is dated _____, 2015.

* Preliminary, subject to change.
OHSUSA:759348950.2

MATURITY SCHEDULE

\$ _____*

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
2015 GENERAL OBLIGATION REFUNDING BONDS

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP [†] (_____)
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* Preliminary, subject to change.

[†] 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 Bonds. 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 Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Bonds as a result of various subsequent actions.

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

The issuance and sale of the Bonds 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 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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

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

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

BOARD OF EDUCATION

[Darrel Woo], *President*
Christina Pritchett, *Vice President*
[Jay Hansen], *Second Vice President*
Gustavo Arroyo, *Member*
[Jeff Cuneo], *Member*
Diana Rodriguez, *Member*
Asami Saito, *Student Member*

DISTRICT ADMINISTRATION

José L. Banda, *Superintendent*
Gerardo Castillo, CPA, *Interim Chief Business Officer*
Cathy Allen, *Associate Superintendent, Facilities Support Services*
Teresa Cummings, Ph.D., *Chief Accountability Officer*
Olivine Roberts, Ed.D., *Chief Academic Officer*
Gabe Ross, *Chief Communications Officer*
Koua Jacklyn Franz, *Chief of Staff*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

District's Counsel

Lozano Smith
Sacramento, California

Underwriter's Counsel

Kutak Rock LLP
Denver, Colorado

Financial Advisor

Capitol Public Finance Group, LLP
Roseville, California

Paying Agent and Escrow Agent

Wells Fargo Bank Corporate Trust Services
Minneapolis, Minnesota

Escrow Verification

Causey Demgen & Moore P.C.
Denver, Colorado

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
2015 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover and appendices hereto (the “Official Statement”), is provided to furnish information in connection with the Sacramento City Unified School District 2015 General Obligation Refunding Bonds (the “Bonds”), as described more fully herein.

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the Underwriter or the owners of any of the Bonds.

Quotations from and summaries and explanations of the Bonds, the Paying Agent Agreement providing for the issuance of the Bonds, 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 Bonds are available from the Chief Financial Officer, Sacramento City Unified School District, 5735 47th Avenue, Sacramento, CA 95824. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District, located in Sacramento County, California (the “County”), is the 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 BONDS—Authority for Issuance; Purpose” herein. The District’s estimated average daily attendance for fiscal year 2014-15 is [] students and the District’s 2014-15 budgeted general fund expenditures are projected at approximately \$[] million.

The District operates 40 elementary schools, eight K-8 schools, seven middle schools, one 7-12 school, seven comprehensive high schools, five alternative education centers, two special education centers, two adult education centers, 13 charter schools (including four dependent charter schools) and 44 children’s centers/preschools serving infants through age 12. The District has a total estimated enrollment as of _____, 2014 of [] students. As of _____, 2014, the District employed approximately [] employees, which includes [] certificated (credentialed teaching) employees, [] FTE classified (noninstructional) employees, and [] 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, alternating between three and four available positions. Beginning in 2008, board member elections are held among voters who reside in each of seven trustee areas. See “APPENDIX A—DISTRICT FINANCIAL AND OPERATING INFORMATION” herein.

The day-to-day operations are managed by a board-appointed Superintendent of Schools. José L. Banda was appointed Superintendent of the Sacramento City Unified School District on July 17, 2014. As the District’s

* Preliminary, subject to change.

top administrator, Mr. Banda leads one of the oldest public school districts in California with 75 schools, 43,000 students and 4,200 employees. Prior to his appointment, Mr. Banda served as Superintendent of Seattle Public Schools, Washington state's largest K-12 district, four years as Superintendent of the 20,000-student Anaheim City School District, thirteen years as a secondary administrator, including eight years as a high school principal before becoming the Superintendent of the Planada School District from 2002-2005. Mr. Banda brings over 30 years of experience in the field of education and holds a Bachelor of Arts from California State University in Bakersfield and a master's in Educational Leadership from Chapman University.

Gerardo Castillo, CPA, began his term as the Interim Chief Business Officer ("CBO") on _____, 2014. **[Insert Bio].**

For additional information about the District's operations and finances, see "APPENDIX A—DISTRICT FINANCIAL AND OPERATING INFORMATION" herein.

THE BONDS

Authority for Issuance; Purpose

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the "Government Code"), and applicable provisions of the Education Code of the State of California (the "Education Code") and other applicable provisions of law. The Bonds are authorized by a resolution adopted by the Board on December 4, 2014. The Government Code permits the issuance of bonds payable from *ad valorem* property taxes without a vote of the electors solely in order to refund other outstanding bonds, provided that the total debt service to maturity on the refunding bonds does not exceed the total debt service to maturity on the bonds being refunded.

The Prior Bonds were authorized to be issued at an election held on November 5, 2002, by 55% or more of the votes cast by eligible voters within the District. The Prior Bonds were originally issued in the aggregate principal amount of \$144,997,966.35.

Proceeds of the Bonds will be applied (i) to defease and refund all or a portion of the Prior Bonds and (ii) to pay costs of issuance of the Bonds. See "PLAN OF REFUNDING" herein.

Form and Registration

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

Payment of Principal and Interest

The Bonds will be dated the date of their delivery and bear interest at the rates set forth on the inside cover page hereof, payable on January 1 and July 1 of each year, commencing on [July 1], 2015 (each, an "Interest Payment Date"), until payment of the principal amount thereof, computed using a year of 360 days consisting of twelve 30-day months. Bonds authenticated and registered on any date prior to the close of business on [June 15], 2015, will bear interest from the date of their delivery. Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Bond will bear

interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

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

So long as all outstanding Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of principal of, premium, if any, and interest on the Bonds and all notices with respect to such Bonds will be made and given, respectively, to such securities depository or its nominee and not to Beneficial Owners. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer.

Redemption*

Optional Redemption of Bonds. Bonds maturing on or before July 1, 2024, are not subject to redemption prior to their respective stated maturity dates. Bonds maturing on and after July 1, 2025, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after July 1, 2024. The Bonds will be redeemed at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

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

Mandatory Sinking Fund Redemption Date (July 1)	Principal Amount to Be Redeemed
<hr/>	<hr/>

* Maturity.

* Preliminary, subject to change.

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

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the Bonds will be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the Bonds of any given maturity are called for redemption, the portions of the Bonds of a given maturity to be redeemed will be determined by lot.

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

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

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

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

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

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

Defeasance of Bonds

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

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

Unclaimed Moneys

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

PLAN OF REFUNDING

A portion of the proceeds from the sale of the Bonds will be deposited in an escrow fund (the “Escrow Fund”) to be created and maintained by Wells Fargo Bank Corporate Trust Services, acting as escrow agent (the “Escrow Agent”) under that certain Escrow Agreement, dated as of [January] 1, 2015 (the “Escrow Agreement”), by and between the District and the Escrow Agent, and applied to pay all principal of and redemption premium on the Prior Bonds on the applicable date designated for their redemption as set forth below. Causey Demgen & Moore P.C., Denver, Colorado, a Certified Public Accountant licensed to practice in the State of California, acting as verification agent (the “Verification Agent”) with respect to the Escrow Fund, will verify the mathematical accuracy of the computations relating to the sufficiency of the moneys proposed to be deposited in the Escrow Fund for the payment and redemption on that date of all said Prior Bonds.

The Prior Bonds to be refunded include the following:

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
General Obligation Bonds Election of 2002, Series 2005
Redemption Date: _____

[TO BE CONFIRMED]

Maturity Date (July 1)	Principal Amount	Interest Rate	CUSIP # (785870)	Redemption Price
2028	\$ 6,620,000	5.000%	QN9	100%
2029	7,185,000	5.000	QN9	100
2030	7,780,000	5.000	QN9	100

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
General Obligation Bonds Election of 2002, Series 2007
Redemption Date: _____

[TO BE CONFIRMED]

Maturity Date (July 1)	Principal Amount	Interest Rate	CUSIP # (785870)	Redemption Price
2018	\$2,520,000	4.250 %	RB4	100%
2019	2,695,000	4.250	RC2	100
2020	2,965,000	4.250	RD0	100
2021	3,285,000	4.375	RE8	100
2022	3,690,000	4.375	RF5	100

A portion of the proceeds of the Bonds will be deposited with Wells Fargo Corporate Trust Services (the “Paying Agent”) and used to pay costs associated with the issuance of the Bonds and the refunding of the Prior Bonds. Any proceeds of sale of the Bonds not needed to fund the Escrow Fund or to pay costs of issuance of the Bonds will be transferred to the County Treasurer for deposit in the District’s Interest and Sinking Fund in the County Treasury, and applied only for payment of principal of and interest on outstanding bonds of the District. Amounts deposited into the Interest and Sinking Fund, as well as proceeds of taxes held therein for payment of the Bonds, will be invested at the sole discretion of the Director of Finance pursuant to law and the investment policy of the County. See “APPENDIX F—COUNTY OF SACRAMENTO INVESTMENT POLICIES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT.”

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

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

Uses of Funds

Deposit to Escrow Fund	
Underwriter's Discount	
Costs of Issuance ⁽¹⁾	
Total Uses:	_____

⁽¹⁾ Includes bond counsel fees, disclosure counsel fees, rating agency fees, paying agent fees, escrow agent fees, verification agent fees, financial advisor fees, bond insurer fees, if any, printing fees and other miscellaneous expenses.

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SCHEDULED DEBT SERVICE

The District's semi-annual debt service payments for the Bonds are summarized in the table below.

Semi-Annual Debt Service Payments 2015 General Obligation Refunding Bonds

Payment Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
Total:					

Combined Debt Service

The District has previously issued its General Obligation Bonds, Election of 2002, Series A, Series 2005 and Series 2007, its General Obligation Bonds, Election of 2012, 2013 Series A, its General Obligation Bonds, Election of 2012, 2013 Series B (Taxable Qualified School Construction Bonds). In addition, refunding bonds were issued in 2011, 2012 and 2014 which were used to pay prior outstanding bonds. See “APPENDIX A—DISTRICT FINANCIAL AND OPERATING INFORMATION—FINANCIAL AND DEMOGRAPHIC INFORMATION—District Debt Structure.” Prior to issuance of the Bonds, annual debt service obligations for all outstanding bonds of the District (without regard to redemption prior to maturity) will be as follows:

Total Annual Debt Service

<u>Period Ending August 1,</u>	<u>The Bonds</u>	<u>Outstanding Refunding Bonds</u>	<u>Total Annual Debt Service</u>
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SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

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

Property Taxation System

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

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. The Director of Finance of the County performs the duties imposed on the treasurer-tax collector. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by each county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2014-15 assessed value of approximately \$[____] billion. All property (real, personal and intangible) is taxable unless an exemption is granted by the State Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Although most taxable property is assessed by the assessor of the county in which the property is located, some special classes of property are assessed by the State Board of Equalization, as described below under the heading, “State-Assessed Property.”

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

Under Proposition 13, an amendment to the State Constitution adopted in 1978, the assessed value of *ad valorem* property was established as 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. Assessed 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, market forces, or other factors. See “APPENDIX A—DISTRICT FINANCIAL AND OPERATING INFORMATION—CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.” As a result, property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property. Similar property that has recently been acquired may have a substantially higher assessed value reflecting the recent acquisition price. Increases in assessed value in a taxing area due to the change in ownership of property may occur even when the rate of inflation or consumer price index would not otherwise permit a full 2% increase in assessed valuation of property that does not change ownership. Proposition 13 has had the effect of stabilizing assessed valuation such that it does not fluctuate as significantly as the market value of property, but instead gradually changes as older residential properties are transferred and reassessed upon such transfer.

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

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the District’s outstanding general obligation bonds. State law requires that the assessment roll be finalized by August 20 of each year. The following table shows recent history of taxable assessed valuation of the various classes of property in the District since fiscal year 2000-01.

**Sacramento City Unified School District
Summary of Assessed Valuation
Fiscal Year 2000-01 through Fiscal Year 2014-15**

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

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

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

Source: California Municipal Statistics, Inc.

As a unified school district, the District may issue bonds in an amount up to [2.5]% of the assessed valuation of taxable property within its boundaries. Based on the fiscal year 2014-15 assessment roll, the District’s gross bonding capacity is \$_____ million, and its net bonding capacity is \$_____ million, prior to the issuance of

the Bonds. Refunding bonds, including the Bonds, may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

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.

Natural and economic forces can affect the assessed value of taxable property in the District. The District is located in a seismically active region, and damage from an earthquake in or near the District could cause moderate to extensive or total damage to taxable property. Other natural or manmade disasters, such as flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the District. Specifically, the District lies at the confluence of the Sacramento and American Rivers. It is encircled by waterways which could experience uncontrolled floods, including the deep water shipping channel and the Sacramento and Yolo bypasses, as well as the Sacramento and Feather Rivers themselves. The occurrence of severe seismic activity in the area or extremely severe storms could result in a substantial reduction in the assessed value of taxable property within the District. Additionally, widespread damage to the homes and infrastructure in the District as well as the District itself could decrease enrollment, and have a material adverse affect on the District's finances and operations.

Economic and market forces, such as a downturn in the area's economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds.

Appeals of Assessed Valuation. State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may request a reduction in assessment directly from the County Assessor (the "Assessor"), who may grant or refuse the request, and may appeal an assessment directly to the Sacramento County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also independently authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Proposition 8, adopted in 1978, amended Article XIII A of the State Constitution and added Section 51(a)(2) to the Revenue and

Tax Code. Proposition 8 permits the County Assessor to reduce the full cash value of real property for property tax purposes to reflect substantial damages, destruction or other factors causing a decline in value. The District cannot predict how changing economic conditions may affect real property values in the future, and cannot predict how the County Assessor may respond to such conditions, or whether the County Assessor would reduce the full cash value of real property pursuant to Proposition 8 as discussed above. Declines in the full cash value of real property, including those caused by Proposition 8 reductions, would cause an increase in the tax rate. The District cannot predict if or when such increases in the tax rate may occur. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Director of Finance against all taxing agencies who received tax revenues, including the District.

Tax Levies, Collections and Delinquencies

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the Director of Finance.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1st of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

**Sacramento City Unified School District
Summary of *Ad Valorem* Tax Rates
\$1 Per \$100 of Assessed Valuation
TRA 3-005**

[TO BE UPDATED]

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15⁽¹⁾</u>
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	
Los Rios Community College Dist. Bonds	.0124	.0090	.0192	.0193	.0181	
Sacramento City Unified School Dist. Bonds	<u>.0911</u>	<u>.0979</u>	<u>.0982</u>	<u>.0999</u>	<u>.1225</u>	
Total	\$1.1035	\$1.1069	\$1.1174	\$1.1174	\$1.1406	

⁽¹⁾ Total 2014-15 assessed valuation of TRA 3-005 is \$[____].

Source: California Municipal Statistics, Inc.

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 Sections 4701 *et seq.* of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including the District, levying property taxes in the County receives the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected, with the credit funded from a reserve established and held by the County for this purpose. In return, the County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any subsequent fiscal year, 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 discontinue the Teeter Plan with respect to any assessments on the secured roll for any year. 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 in the County if the rate of secured tax delinquency therein exceeds 3% in any year. The District is not aware of any plan by the County to discontinue the Teeter Plan.

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⁾ and Delinquencies
Fiscal Year 2005-06 through Fiscal Year 2013-14**

[TO BE UPDATED]

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2005-06	\$23,657,125.00	\$495,983.00	2.10%
2006-07	20,063,598.41	712,321.26	3.55
2007-08	22,499,937.00	899,744.00	4.00
2008-09	24,538,884.00	761,754.00	3.10
2009-10	22,583,246.00	572,615.00	2.54
2010-11	24,021,726.00	601,074.00	2.50
2012-13	23,564,394.00	342,084.00	1.45
2013-14	[]	[]	[]

⁽¹⁾ Debt service levy only.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of _____, 2014, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

The table generally includes long-term obligations sold in the public capital markets by the public agencies listed. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**Sacramento City Unified School District
Direct and Overlapping Bonded Debt**

[TO COME]

Source: California Municipal Statistics, Inc.

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

**Sacramento City Unified School District
2014-15 Taxable Assessed Valuation and Parcels by Land Use⁽¹⁾**

[TO COME]

Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes. Single family residential properties comprise [____]% of the assessed value of property located in the District. For fiscal year 2014-15, the average assessed value of single family homes is \$[____].

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Per Parcel 2014-15 Assessed Valuation of Single Family Homes**

[TO COME]

Source: California Municipal Statistics, Inc.

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Largest Taxpayers

The 20 largest taxpayers in the District are shown below, ranked by aggregate secured assessed value of taxable property in fiscal year 2014-15.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. In 2014-15, no single taxpayer owned more than [____]% of the total taxable property in the District.

Sacramento City Unified School District Major Taxpayers 2014-15

[TO COME]

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

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

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

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

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

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

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

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

OTHER LEGAL MATTERS

Legal Opinion

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

Legality for Investment in California

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2013-14 fiscal year (which is due no later than March 31, 2015) and to provide notice of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material 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 material events is set forth in “APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

[TO BE UPDATED] In fiscal years 2008-09 through 2012-13, 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, 2013.

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.

Limitation on Remedies

Bond Counsel's opinion is qualified with respect to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws related to and affecting creditors' rights. Before any district may file for bankruptcy certain steps have to be taken under California law. See APPENDIX C – "PROPOSED FORM OF OPINION OF BOND COUNSEL."

Pursuant to a State law adopted in 1991 ("A.B. 1200"), school districts "certify" their budgets to the county office of education with jurisdiction (typically, the county in which the district resides) periodically throughout the course of each fiscal year. See "APPENDIX A INFORMATION RELATING TO THE DISTRICT – District Budget Process and County Review" below. In the event that a school district determines that its revenues are less than the amount necessary to meet its current year expenditure obligations, the County Superintendent of Schools and the State Superintendent of Public Instruction (the "State Superintendent") are authorized to exercise increased control over the finances of the district. If remedial measures undertaken by the district, the county, and the State are insufficient to address the district's financial problems, the district may request an emergency apportionment from the State. No California school district has filed for bankruptcy since the passage of A.B. 1200.

As a condition of receiving an emergency apportionment from the State, the recipient district must prepare a recovery plan, and the State Superintendent assumes the rights, duties and powers of the governing board of the district. The State Superintendent appoints an administrator (the "State Administrator") to exercise the powers of the

governing board on his or her behalf and to implement the recovery plan. When the State Superintendent determines that the district is complying with the recovery plan, and that compliance is likely to continue, the State Superintendent may permit the district board to re-assume its legal rights, duties and powers from the State Administrator, subject to the veto of a trustee (the "State Trustee"). The State Trustee's power is unlike the State Administrator's in that it is limited to staying or rescinding an action of the governing board, and does not extend to exercising the board's powers.

One of the powers the State Administrator may exercise is the filing of a petition under Chapter 9 of Title 11 of the United States Code ("Chapter 9"). The District believes that State law mandates the State Superintendent of Public Instruction to appoint a State Administrator for the District before the District could file for bankruptcy under Chapter 9. The District can provide no assurance, however, that a bankruptcy court would agree with the District's interpretation of the law. If the District were to become a debtor in a bankruptcy case, it would be a debtor under Chapter 9.

Chapter 9 specifies that it does not limit or impair the power of the applicable state to control its municipalities in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. California state law provides that the ad valorem taxes must be used to pay principal and interest on the Bonds. The District believes that this law would be respected in any bankruptcy proceeding so that the ad valorem tax revenues could not be used by the District for any purpose other than to make payments on the Bonds, but no assurance can be given that a bankruptcy court would not conclude otherwise.

If the County Treasurer commingles the tax revenues collected to make payments on the Bonds, those revenues may no longer be subject to the State law that requires ad valorem tax revenues to be used by the District to pay principal and interest on the Bonds, which may result in reductions or delays in payments on the Bonds.

There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds, or result in losses to the holders of the Bonds. Regardless of any specific adverse determinations in a bankruptcy proceeding of the District, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Bonds.

No Litigation

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

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

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of projected receipts of the projected payments of principal, redemption premium and interest to retire the Prior Bonds to be refunded will be verified by Causey Demgen & Moore P.C., Denver, Colorado, a Certified Public Accountant, as verification agent (the "Escrow Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Escrow Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

MISCELLANEOUS

Ratings

Standard and Poor's Rating Services, a Standard and Poor's Financial Services LLC business ("Standard & Poor's") has assigned a rating of "____" to the Bonds. 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 agencies (some of which does not appear in this Official Statement). The ratings reflect only the views of the rating agencies and any explanation of the significance of such rating may be obtained only from such rating agencies as follows: Standard and Poor's at www.standardandpoors.com. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that any rating will continue for any given period of time or that the ratings not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds. The District undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

Professionals Involved in the Offering

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

Underwriting

The Bonds are to be purchased by Stone and Youngberg, a Division of Stifel, Nicolas & Company, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain terms and conditions set forth in the Bond Purchase Agreement, dated _____, 2015 by and between the Underwriter and the District, to purchase the Bonds at a purchase price of \$_____ (which represents the aggregate initial principal amount of the Bonds, [plus/less] a net original issue [premium/discount] of \$_____ and less \$_____ of Underwriter's discount). The Underwriter will purchase all the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing said Bonds into investment trusts) and others at prices lower than the initial public offering price, and the public offering price may be changed from time to time by the Underwriter.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses. In addition, affiliates of some of the Underwriters are lenders, and in some cases agents or managers for the lenders, under our credit facility.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

Additional Information

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

* * *

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____
Chief Business Officer

APPENDIX A

DISTRICT FINANCIAL AND OPERATING INFORMATION

The information in this Appendix concerning the operations of the District, the District's finances, and State funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the Official Statement.

FINANCIAL AND DEMOGRAPHIC INFORMATION

General

The Sacramento City Unified School 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 BONDS—Authority for Issuance; Purpose" in the Official Statement. The District's estimated average daily attendance for fiscal year 2014-15 is [] and the District's 2014-15 budgeted general fund expenditures are projected at approximately \$[] million.

The District operates 40 elementary schools, eight K-8 schools, seven middle schools, one 7-12 school, seven comprehensive high schools, five alternative education centers, two special education centers, two adult education centers, 13 charter schools (including four dependent charter schools) and 44 children's centers/preschools serving infants through age 12. The District has a total estimated enrollment as of _____, 2014 of [] students. As of _____, 2014, the District employed approximately [] employees, which includes [] certificated (credentialed teaching) employees, [] FTE classified (noninstructional) employees, and [] supervisory/other personnel.

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

The day-to-day operations are managed by a board-appointed Superintendent of Schools. José L. Banda was appointed Superintendent of the Sacramento City Unified School District on July 17, 2014. As the District's top administrator, Mr. Banda leads one of the oldest public school districts in California with 75 schools, 43,000 students and 4,200 employees. Prior to his appointment, Mr. Banda served as Superintendent of Seattle Public Schools, Washington state's largest K-12 district, four years as Superintendent of the 20,000-student Anaheim City School District, thirteen years as a secondary administrator, including eight years as a high school principal before becoming the Superintendent of the Planada School District from 2002-2005. Mr. Banda brings over 30 years of experience in the field of education and holds a Bachelor of Arts from California State University in Bakersfield and a master's in Educational Leadership from Chapman University.

Gerardo Castillo, CPA, began his term as the Interim Chief Business Officer ("CBO") on _____, 2014.
[Insert Bio].

District Revenues

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 below. See “—State Funding of Education; State Budget Process—*Local Control Funding Formula*” below.

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 was 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.

The 2013-14 State Budget replaced the K-12 finance system with a new Local Control Funding Formula (the “LCFF”). The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. Until full implementation, however, school districts will receive roughly the same amount of funding they received in 2012-13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The 2013-14 State Budget projected the time frame for full implementation of the LCFF to be eight years. For more information on the LCFF, see “—State Funding of Education; State Budget Process—*Local Control Funding Formula*” below.

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 [_____] % of the District’s general fund revenues in 2014-15. The District anticipates that it will receive approximately \$[_____] million in base grant funding, \$[_____] million in supplemental grant funding and \$[_____] million in concentration grant funding. 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 “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 \$[_____] less than the revenues described in this paragraph.

Implementation of the LCFF. The District anticipates that the LCFF will translate to additional revenues of approximately \$[_____] per A.D.A. in 2014-15 and anticipates that LCFF revenues received in 2015-16 and 2016-17 will increase at a rate of approximately [4.5] % per A.D.A. per year. These projections are subject to changes in Statewide economic conditions which the District cannot predict with certainty. Further, actual revenues depend not only on funding per A.D.A., but also on the number of units of A.D.A.

In its fiscal year 2014-15 budget, the District projects that it will receive approximately \$[_____] million in aggregate LCFF income in fiscal year 2014-15, or approximately [_____] % 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. 2014-15 revenues represent an increase of [_____] % from the \$[_____] million that the District received in fiscal year 2013-14. State funds for special programs are budgeted to be \$[_____] million for fiscal year 2014-15. 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 \$[_____] in fiscal year 2013-14 and is budgeted at approximately \$[_____] for fiscal year 2014-15.

Attendance and Enrollment. The following table sets forth the District’s actual A.D.A. and enrollment for fiscal years 2005-06 through 2013-14 and budgeted A.D.A. and enrollment for fiscal year 2014-15 for grades K-12. The A.D.A. and enrollment numbers reflected in the following table include special education but exclude charter school attendance.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
K-12 Student Enrollment
Fiscal 2001-02 through 2014-15
[TO BE UPDATED]**

Year	Average Daily Attendance ⁽¹⁾	Enrollment ⁽²⁾
2005-06	[]	[45,673]
2006-07	44,229	[45,102]
2007-08	44,023	[44,468]
2008-09	41,758	[44,040]
2009-10	41,653	[44,238]
2010-11	41,347	[43,754]
2011-12	41,131	[43,426]
2012-13	40,449	[42,623]
2013-14	[]	[]
2014-15 ⁽³⁾	[]	[]

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

⁽²⁾ [Reflects enrollment as of October report submitted to the California Basic Educational Data System (“CBED”) in each school year.]

⁽³⁾ Projected P-2 A.D.A. based on Sacramento City Unified School District 2014-15 Adopted Budget.

Source: Sacramento City Unified School District.

Attendance and LCFF. The following table sets forth the District’s estimated and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, “EL/LI Students”)), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 and 2014-15, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education but exclude adult education, regional occupation program and charter school attendance.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2013-14 through 2014-15**

Fiscal Year		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment ⁽¹⁾	Unduplicated Percentage of EL/LI Students
2013-14	A.D.A. ⁽²⁾	[]	[]	[]	[]	[]	[]	[]%
	Targeted Base Grant	[]	[]	[]	[]	--	--	--
2014-15 ⁽³⁾	A.D.A. ⁽²⁾	[]	[]	[]	[]	[]	[]	[]%
	Targeted Base Grant	[]	[]	[]	[]	--	--	--

⁽¹⁾ Reflects enrollment as of October report submitted to the CBEDS in each school year. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI Students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment will be based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI Students will be based on a rolling average of such school

district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years

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

⁽³⁾ Figures represent projections.

Source: Sacramento City Unified School District

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the State Revenue and Taxation Code (the "Revenue and Taxation Code"). Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts." Districts that received some State aid were commonly referred to as "revenue limit districts."

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

Local property tax revenues account for approximately [___]% of the District's aggregate LCFF income, and are budgeted to be approximately \$[___] million, or approximately [___]% of total general fund revenue in fiscal year 2014-15. The County is a "Teeter Plan" county, which means that the District is made whole for any delinquencies in payment of property taxes by local property owners. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—*Tax Levies, Collections and Delinquencies*" in the first part of this Official Statement. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "*State Funding of Education; State Budget Process*" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Expenditures and Appropriations" herein.

Effect of Changes in Enrollment. Changes in local property tax income and student enrollment (or A.D.A.) affect community funded districts and revenue limit districts, now known as "LCFF districts," differently. In an LCFF district, increasing enrollment increases the amount allocated under LCFF and thus generally increases a district's entitlement to State aid, while increases in property taxes do nothing to increase district revenues, but only offset the State aid funding requirement. Operating costs typically increase disproportionately slowly to enrollment growth—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State aid, while operating costs typically decrease slowly and only when, for example, the district decides to lay off teachers or close schools. Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

In community funded districts, the opposite is generally true: increasing enrollment does increase the amount allocated under LCFF, but since all LCFF income (and more) is already generated by local property taxes, there is typically no increase in State income. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment typically does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

For LCFF districts, any loss of local property taxes is made up by an increase in State aid. For community funded districts, the loss of tax revenues is not reimbursed by the State.

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.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State's ability to meet the revenue and spending assumptions in the State's adopted budget, and the effect of these changes on school finance. The District's First Interim Report and budgeted A.D.A. are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District's actual funding level for fiscal year 2014-15 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

Effect of Redevelopment Project Area. Under California law, a city or county could, and did, prior to recent California legislation dissolving redevelopment agencies, 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. The application of such revenues diverted by redevelopment agencies is now substantially limited to meeting existing debt service of the redevelopment agencies.

As to operating revenues, any loss of local property taxes that contribute to the amount to be allocated under the LCFF of an LCFF district is made up by an increase in State aid. "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 LCFF amount, except for any portion dedicated to capital facilities or deferred maintenance. For any redevelopment plan adopted before 1994 and not subsequently amended, an LCFF district may receive pass-through payments at the level negotiated with the redevelopment agency instead of the statutory pass-through; such payments do not count against the LCFF amount for State aid purposes, but must generally be used for capital facilities improvements. [Although there are redevelopment agencies within the District's territory, the District does not receive any tax-increment pass-through payments.]

The 2013-14 State budget (the "2013-14 State Budget") dissolved redevelopment agencies and community development agencies, as of February 1, 2013, and designates successor agencies to wind down the affairs of the dissolved redevelopment agencies. At this time the District cannot predict what effect the dissolution of redevelopment agencies will have on the District's property tax receipts. For more information on the dissolution of redevelopment agencies, see "—State Funding of Education; State Budget Process—*Dissolution of Redevelopment Agencies*" below.

District Expenditures

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 fiscal year 2014-15 budget, the District estimates that it will expend approximately \$[] million in salaries and benefits, or approximately []% of its general fund expenditures. This amount represents an increase of []% from the \$[] million the District expended in fiscal year 2013-14.

Labor Relations. The District currently employs [] full-time-equivalent (“FTE”) certificated employees, [] FTE classified employees, and [] FTE management and supervisory/other employees. Certificated and classified employees are represented for collective bargaining purposes as shown below:

**Sacramento City Unified School District
Labor Organizations**

[TO COME]

<u>Labor Organization</u>	<u>Employees Represented</u>	<u>Contract Expiration</u>
Sacramento City Teacher’s Association	[]	[]
Service Employees International Union	[]	[]
United Professional Educators	[]	[]
Teamsters	[]	[]
Classified Supervisors Association	[]	[]
Total	[]	

Source: Sacramento City Unified School District

Retirement Programs. The District participates in the State Teachers’ Retirement System (“STRS”) for all full-time and some part-time certificated employees. Contributions to CalSTRS are fixed in statute. In fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). 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.

As of June 30, 2013, an actuarial valuation (the “2013 CalSTRS Actuarial Valuation”) for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$74.4 billion, an increase of \$3.4 billion from the June 30, 2012 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2013, June 30, 2012 and June 30, 2011, based on the actuarial assumptions, were approximately 67%, 67% and 69%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2013 CalSTRS Actuarial Valuation: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2013 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See “–California Public Employees’ Pension Reform Act of 2013” below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2013 CalSTRS Actuarial Valuation noted that, as of June 30, 2013, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 19.497% over the next 30 years. The 2013 CalSTRS Actuarial Valuation provides that the contribution rate would need to have been raised by 13.382% to a total of 32.879% to amortize the unfunded liability over a 30-year period as of June 30, 2013.

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

The District's employer contribution to STRS from the general fund was \$[] million for fiscal year 2013-14 and is projected at \$[] million in fiscal year 2014-15. The table below presents the most recent five years of District contributions to STRS. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

**Sacramento City Unified School District
Employer Contribution to STRS
Fiscal Years 2010-11 through 2014-15**

[TO BE UPDATED]

Fiscal Year	Contribution
2010-11	\$15,323,790
2011-12	14,823,475
2012-13	14,075,308
2013-14	[]
2014-15 ⁽¹⁾	[]

⁽¹⁾ Budgeted.

Source: Audited 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.

The District also participates in the California Public Employees' Retirement System ("CalPERS") for all full-time and some part-time classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS. All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS will not significantly increase in the future above current levels.

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. The funded ratio as of June 30, 2011, June 30, 2010, June 30, 2009 and June 30, 2008 was 78.7%, 69.5%, 65.0% and 93.8%, respectively. According to the actuarial valuation as of June 30, 2012, the latest decline in the funded ratio was because the investment return experienced by CalPERS in fiscal year 2011-12 was less than the assumed 7.5%. 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, certain 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 of 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. In April of 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS will employ a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term.

In February of 2014, the CalPERS Board of Administration adopted new actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The District is required to contribute toward CalPERS, at a State-determined percentage of CalPERS-eligible salaries. For fiscal year 2014-15, the contribution percentage is 11.77%. In the current budget year, the total contribution is projected at \$[] million, compared to a fiscal year 2013-14 general fund expense of \$[] million. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "—California Public Employees' Pension Reform Act of 2013" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

**Sacramento City Unified School District
Employer Contribution to CalPERS
Fiscal Years 2010-11 through 2014-15**

[TO BE UPDATED]

Fiscal Year	Contribution
2010-11	\$6,411,937
2011-12	6,640,921
2012-13	6,381,013
2013-14	[]
2014-15 ⁽¹⁾	[]

⁽¹⁾ Budgeted.

Source: Audited Financial Report for Fiscal Year 2013-14.

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

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. STRS and CalPERS liabilities are more fully described in “APPENDIX C—FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014” Note [9].

California Public Employees’ Pension Reform Act of 2013. The Governor signed the California Public Employee’s Pension Reform Act of 2013 (the “Reform Act” or “PEPRA”) into law on September 12, 2012. The Reform Act affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the “Implementation Date”). As it pertains to CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age, increasing the eligibility for the 2% “age factor” (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

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

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make (except as already announced).

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, GASB 67, Financial Reporting for Pension Plans (“GASB 67”), which addresses financial reporting for pension plans, and GASB 68, Accounting and Financial Reporting for Pensions (“GASB 68”), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. GASB 67 replaces the current requirements of GASB 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and GASB 68 replaces the current requirements of GASB 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of GASB 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government’s balance sheet (such unfunded liabilities are currently typically included as notes to the government’s financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. GASB 67 took effect in fiscal years beginning after June 15, 2013, and GASB 68 took effect in fiscal years beginning after June 15, 2014.

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

Beginning in fiscal year 2008-09, the District was required to implement Governmental Accounting Standards Board Statement No. 45 (“GASB 45”) which directs certain changes in accounting for post-employment

healthcare benefits (“OPEB”) in order to quantify a government agency’s current liability for future benefit payments. GASB 45 is directed at quantifying and disclosing OPEB obligations, and does not impose any requirement on public agencies to fund such obligations. On _____, 2014, [Bickmore Risk Management Services] completed an evaluation of the District’s obligations as of _____, ____.

[TO BE UPDATED] 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 actuarial accrued liability of approximately \$[632.7] million for [3,444] current retirees and beneficiaries and [4,047] additional future participants. As of [June 30, 2014], the AAL was \$[____] million. The AAL is an actuarial estimate that depends on a variety of assumptions about future events such as health care costs and beneficiary mortality. Every year, active employees earn additional future benefits, an amount known as the “normal cost”, which is added to the AAL. The report estimated the normal cost at \$[18.2] million for the year beginning [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). The District currently funds the costs of retiree benefits on a pay-as-you-go basis. The District expects to contribute approximately \$[____] to the trust in Fiscal Year 2014-15, comprised of approximately \$[____] in teacher contributions and approximately \$[____] derived from savings generated by retirees who have chosen 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, 2014, the ARC was determined to be approximately \$[____] million.

In 2013-14, the District funded \$[____] million in pay-as-you-go expenditures. The District’s fiscal year 2014-15 projected pay-as-you-go expenditure for post-retirement benefits is \$[____] 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 \$[____] to the California Employers’ Retiree Benefit Trust (the “CERBT”) for the Fiscal Year ending June 30, 2014. The assets any additional assets contributed to the CERBT will be applied to offset the Actuarial Accrued Liability and decrease the Unfunded Actuarial Liability as of the District’s next valuation report.

Accrued Vacation. The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2014, was \$[____] million.

Summary of District Revenues and Expenditures

The table on the following page summarizes the District’s general fund revenue, expenditures and fund balances from fiscal years 20010-11 through fiscal year 2014-15 (projected). See “SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS—District Budget Process and County Review” herein for a general description of the annual budget process for State school districts. The District’s audited financial statements for the year ending June 30, 2014, are reproduced in APPENDIX C. The District’s auditor has not been requested to consent to the use or inclusion of its reports in this Official Statement, and it has not reviewed or audited any of the information contained therein. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the Board of Education by September 15, and the audit report must be filed with the County of Sacramento Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 2% of its total general fund expenditures, based on total student attendance. For fiscal year 2014-15, the District budgeted an unrestricted general fund reserve of [____]%, or approximately \$[____] million. Substantially all funds of the District are required by law to be deposited with and invested by the Director of Finance of the County on behalf of the District, pursuant to law and

the investment policy of the County. See “APPENDIX F—COUNTY OF SACRAMENTO INVESTMENT POLICES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT.”

**Sacramento City Unified School District
General Fund
Revenues, Expenditures and Fund Balances
Fiscal Year 2009-10 through 2014-15**

[TO BE UPDATED]

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15 ⁽¹⁾
REVENUES					
LCFF/Revenue Limit ⁽²⁾					
State Apportionment	\$165,947,805	\$165,358,995	\$167,285,273		
Local Sources/Property Taxes	56,618,816	55,206,471	53,090,769		
Total LCFF/Revenue Limit ⁽²⁾	\$222,566,621	\$220,565,466	\$220,376,042		
Federal Revenue	72,051,245	47,367,141	47,813,970		
Other State Revenue	109,156,582	108,799,926	103,236,312		
Other Local Revenue	9,136,901	13,173,587	8,470,354		
Total Revenues	\$412,911,349	\$389,906,120	\$379,896,678		
EXPENDITURES					
Certificated Salaries	\$175,556,153	\$170,919,753	\$160,051,515		
Classified Salaries	52,390,166	52,722,192	48,975,962		
Employee Benefits	102,090,242	110,321,022	101,434,551		
Books and Supplies	16,484,359	12,506,975	10,711,932		
Services, Other Operating Expenditures	56,372,037	55,661,409	59,986,078		
Capital Outlay	2,358,049	3,877,564	569,142		
Other (outgo)	27,684	23,414	34,041		
Debt service	576,329	1,993,953	2,177,203		
Total Expenditures	\$405,855,019	\$408,025,782	\$383,940,424		
Excess (Deficiency) of Revenues Over Expenditures	7,056,330	(18,119,662) ⁽³⁾	(4,043,746)		
Other Financing Sources (Uses):					
Transfers in	\$12,364,418	\$4,734,799	\$2,274,988		
Transfers Out	(9,397,892)	(17,890)	0		
Proceeds from Obligations/Liabilities ⁽⁴⁾	15,977	116,824	64,608		
Net Financing Sources (Uses)	\$2,982,503	\$4,833,733	\$2,339,596		
NET CHANGE IN FUND BALANCES					
Fund Balance – Beginning	\$24,360,591	\$34,399,424	\$21,113,495		
Fund Balance – Ending	\$34,399,424	\$21,113,495	\$19,409,345		
Reserve for Economic Uncertainties ⁽⁶⁾	8,589,000	8,979,822	8,007,454		

⁽¹⁾ District's 2014-15 First Interim Report, adopted December [15], 2014.

⁽²⁾ Revenue Limit for Fiscal Years 2010-11 through 2012-13. Local Control Funding Formula for Fiscal Year 2013-14 and 2014-15.

⁽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 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 2010-11 through 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 the 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 projections provided to the Sacramento County Office of Education is not the District's Fiscal year 2014-15 Budget; the District was 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 2008-09 through 2013-14.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Summary of General Fund Balance Sheet
as of June 30, 2009, 2010, 2011, 2012, 2013, and 2014

[TO BE UPDATED]

	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
ASSETS						
Cash and Investments						
Cash in County Treasury	\$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	-	-	-	-	-	
Cash in Revolving Fund	225,000	225,000	225,000	225,000	225,000	
Cash Awaiting Deposit	207,171	365,684	231,869	371,914	-	
Deferred Compensation	5,896,346	6,503,281	7,622,667	8,185,424	2,424,401	
Accounts Receivable	70,872,051	77,849,292	105,158,177	105,139,872	84,734,409	
Prepaid Expenditures	-	10,450	26,601	2,254	55,686	
Due from Other Funds	8,827,078	7,934,575	9,732,779	6,742,101	1,827,097	
Stores Inventory	194,460	150,479	130,123	119,219	129,180	
Total Assets	\$100,693,527	\$96,439,791	\$130,407,598	\$129,073,136	\$99,235,939	
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$12,445,609	\$14,899,739	\$14,137,017	\$14,913,987	\$10,514,617	
TRANS Payable	-	-	50,000,000	75,000,000	60,000,000	
Deferred Compensation	5,896,346	6,503,281	7,622,667	8,185,424	2,424,401	
Deferred revenue	10,544,835	6,682,064	5,062,889	1,767,694	1,709,477	
Due to other funds	34,118,792	43,994,116	19,185,601	8,092,536	5,178,099	
Total Liabilities	\$63,005,582	\$72,079,200	\$96,008,174	\$107,959,641	\$79,826,594	
FUND BALANCES						
Total Fund Balances	\$37,687,945	\$24,360,591	\$34,399,424	\$21,113,495	\$19,409,345	
Total Liabilities and Fund Balances	\$100,693,527	\$96,439,791	\$130,407,598	\$129,073,136	\$99,235,939	

Source: District Audited Financial Report for Fiscal Years 2008-09 through 2013-14.

District Debt Structure

Tax and Revenue Anticipation Notes. To address predictable annual cash flow deficits resulting from the different timing of revenues and expenditures, the District has issued tax and revenue anticipation notes in recent years as shown in the table below. The District's notes are a general obligation of the District, payable from the District's general fund and any other lawfully available moneys. The District [expects]/[does not expect] to issue a Tax and Revenue Anticipation Note in fiscal year 2014-15.

[TO BE UPDATED]

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

General Obligation Bonds. [To be updated] 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. The District sold \$50,000,000 of the Measure E bonds on February 10, 2000, \$45,000,000 of the Measure E bonds on March 27, 2001, \$45,000,000 of the Measure E bonds on May 7, 2002, and \$55,000,000 of the Measure E bonds on August 1, 2004.

On November 5, 2002, voters in the 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 (which the District has undertaken to refund with the issuance of bonds expected to be completed on or about January 30, 2014) 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 the General Obligation Bonds (Election of 2002) Series 2005 and its General Obligation Bonds (Election of 2002) Series 2007 remain outstanding.

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 refunding bonds as of _____, 2014 are summarized in the table below.

[TO BE UPDATED]

<u>Issue Name</u>	<u>Issuance Date</u>	<u>Original Principal Amount</u>	<u>Amount Outsta nding</u>	<u>Interest Rate</u>	<u>Due Dates</u>
2011 Refunding Bonds	06/30/2011	79,585,000		3.00-5.50	2014-2029
2012 Refunding Bonds	06/14/2012	113,245,000		2.00-5.25	2014-2026
2002 Series 2005 ⁽¹⁾	07/01/2005	80,000,000		4.00-5.00	2014-2030
2002 Series 2007 ⁽¹⁾	11/14/2007	64,997,996		3.50-5.00	2014-2032
2013 Series A	07/16/2013	30,000,000		2.00-5.00	2014-2025
2013 Series B	07/16/2013	40,000,000		5.65	2038
2014 Refunding Bonds	01/15/2014	44,535,000		2.00-5.00	2014-2027

⁽¹⁾ All or a portion of the remaining outstanding Series 2005 Bonds will be refunded with proceeds from the Bonds.

Approximately \$[____] of the District's general obligation bonds remain outstanding, not including 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. See the table above for a description of principal and interest owed on all bonds outstanding.

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

On July 11, 2002, the District issued \$58,000,000 of Variable Rate COPs for the advance refunding of 1998 Series A COPs (with a remaining principal amount of \$13,750,000) and 1999 Series D COPs (with a remaining obligation of \$15,480,000) and to provide additional capital for construction projects. With the payment of \$29,230,000 to the Escrow Agent to advance refund and defease the District's 1998 Series A COPs and the 1999 Series D COPs, the District's 1998 Series A COPs and the 1999 Series D COPs are considered to be defeased. The 2002 Variable Rate COPs were remarketed on March 14, 2011 in the aggregate principal amount of \$48,020,000. Interest on these Variable Rate COPs is based on the SIFMA Term Floater Rate, determined by a remarketing agent. [The District is in the process of issuing additional lease revenue bonds in order to prepay all or a portion or a portion of the 2001 Fixed Rate COPs and the 2002 Variable Rate COPs.]

Scheduled payments for certificates of participation are as follows:

[TO BE UPDATED]	
Year Ending June 30,	Certificates of Participation 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⁾ Payment schedule does not reflect the refunding of COPs described above or the issuance of the Bonds.

[Restricted Maintenance Reserve Account]

As a condition to receiving State modernization or construction funds, the District has agreed to fund a restricted maintenance reserve account in the general fund each year for 20 years of at least 3% of its general fund budget. As a result of 2008-09 State budget legislation, the District was only required to fund the maintenance reserve to 1% of its total expenditures for the five-year period 2008-09 through 2012-13. In 2012-13, the District

has funded a maintenance reserve contribution of approximately \$8.0 million or 2.1% of the general fund expenditures.

Insurance, Risk Pooling and Joint Powers Arrangement

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

As a result of its participation in CASA, the District may owe up to \$2.5 million to the State Department of Education to refund unearned “PERS Reduction” income received, and up to \$3.2 million to the Social Security Administration in unpaid employer and employee contributions. Litigation resulting from the District’s participation of CASA is ongoing, and the full extent of its liability is not yet known. For more information, see “—CASA Pension Program and Pension Program Revenue Bonds” below and “APPENDIX C—FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.”

CASA Pension Program and Pension Program Revenue Bonds

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

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

Investigation of CASA and Potential District Liability. On December 16, 2003, MGT of America (“MGT”) issued its report regarding the District’s potential exposure as a result of its participation in CASA. In addition to the amount requested by CalPERS, MGT identified that the District could owe up to \$2.5 million to the State Department of Education to refund unearned “PERS Reduction” income received on account of District employees transferred to CASA employment, and \$3.2 million to the Social Security Administration in unpaid employer and employee contributions.

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

Charter Schools

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

Thirteen charter high schools currently operate in the District's boundaries, four of which are dependent and nine of which are directly funded. As to the directly-funded schools, the District pays revenue in lieu of property taxes up to the LCFF amount for charter students originating within the District. For fiscal year 2014-15, the District expects to make in-lieu payments in an amount equal to approximately \$[] million.

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, 2014, the schedule of lease payments was as follows:

[TO BE UPDATED]

<u>Year Ending June 30</u>	<u>Capital Lease Payments</u>
2014	\$[]
2015	[]
2016	[]
	<hr/>
Total Payments	\$[]
Less: Interest Portion	([])
	<hr/>
Net Minimum Lease Payments	\$[]

State Funding of Education; State Budget Process

General. As is true for most school districts in California, the District's operating income consists primarily of three components: a State portion funded from the State's general fund, State portion funded from the Education Protection Account, and a local portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding, including from State and federal government programs. Based on its approved budget for fiscal year 2014-15 (the "2014-15 Budget"), the District receives approximately []% of its general fund revenues from State funds, budgeted at approximately \$[] million in fiscal year 2014-15. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District revenues and 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).

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the 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. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." Any tax increase provision of such final budget shall 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. Under Proposition 25, a two-thirds vote of the State Legislature is still

required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2014-15 State budget (the “2014-15 State Budget”) on June 20, 2014.

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. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

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

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

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

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years’ Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98

funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

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

2014-15 State Budget. The Governor signed the fiscal year 2014-15 State budget (the "2014-15 State Budget") on June 20, 2014. The 2014-15 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years, setting aside reserves and implementing a funding plan for CalSTRS. The 2014-15 State Budget provides for \$109.4 billion in revenues and transfers for fiscal year 2014-15 (which amount includes a \$3.9 billion prior year general fund balance from fiscal year 2013-14), \$108.0 billion in expenditures and a balance of \$450 million in the general fund traditional reserve and \$1.6 billion in a rainy day fund (the "Rainy Day Fund"). Revenues and expenditures for fiscal year 2013-14, as revised under the 2014-15 State Budget, were \$104.6 billion (which amount includes a \$2.4 billion prior year general fund balance from fiscal year 2012-13) and \$100.7 billion, respectively.

The 2014-15 State Budget projects that budgetary debt, which was approximately \$35 billion at the end of fiscal year 2010-11 and \$26 billion at the end of fiscal year 2013-14, will be eliminated by the end of fiscal year 2017-18. For fiscal year 2014-15, specifically, the 2014-15 State Budget dedicates to paying down more than \$10 billion of budgetary debt, including approximately \$5 billion to pay down the deferral of payments to schools.

Proposition 30, also known as the Schools and Local Public Safety Protection Act, was approved on the November 2012 ballot. Proposition 30 increases the personal income tax rates on the State's highest income taxpayers by up to three percent for a period of seven years. The additional income taxes are deposited into a segregated account and are used to fund K-14 public education in the State. The District cannot predict whether Proposition 30 will be renewed or extended, or, if Proposition 30 expires as scheduled, what effect, if any, its expiration may have on overall funding levels for K-14 public education.

As it relates to K-12 education, the 2014-15 State Budget provides total funding of \$76.6 billion (\$45.3 billion general fund and \$31.3 billion other funds). The 2014-15 State Budget provides Proposition 98 funding for all K-14 education of \$60.9 billion for fiscal year 2014-15. Such amount, when combined with an aggregate increase of \$4.4 billion from fiscal years 2012-13 and 2013-14 provided for in the 2014-15 State Budget, results in an increase of \$10 billion in funding for K-14 education. The 2014-15 State Budget notes that Proposition 98 funding for K-12 education has grown by more than \$12 billion from fiscal year 2011-12 to fiscal year 2014-15, representing an increase of more than \$1,900 per student.

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

- **Local Control Funding Formula.** An increase of \$4.75 billion in Proposition 98 general funds to continue the State's transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will close the remaining funding implementation gap by more than 29%. Additionally, the 2014-15 State Budget addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced-price meals.

- *K-12 Deferrals.* The 2014-15 State Budget repays nearly \$4.7 billion in Proposition 98 general funds for K-12 expenses that had been deferred from one year to the next during the economic downturn, leaving an outstanding balance of less than \$900 million in K-12 deferrals. Further, the 2014-15 State Budget includes a trigger mechanism that will appropriate any additional funding resources attributable to the 2013-14 and 2014-15 fiscal years subsequent to the enactment of the 2014-15 State Budget for the purpose of retiring this remaining deferral balance.

- *Independent Study.* The 2014-15 State Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- *K-12 Mandates.* An increase of \$400.5 million in one-time Proposition 98 general funds to reimburse K-12 local educational agencies for the costs of State-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education and charter schools with discretionary resources to support critical investments such as Common Core implementation.

- *K-12 High-Speed Internet Access.* An increase of \$26.7 million in one-time Proposition 98 general funds for the K-12 High Speed Network to provide technical assistance and grants to local educational agencies to address the technology requirements necessary for successful Common Core implementation. Based on an assessment by the K-12 High Speed Network, these funds will be targeted to those local educational agencies most in need of help with securing required internet connectivity and infrastructure to implement the new computer adaptive tests under Common Core.

- *Career Technical Education Pathways Program.* An increase of \$250 million in one-time Proposition 98 general funds to support a second cohort of competitive grants for participating K-14 local educational agencies. Established in the State Budget Act for fiscal year 2012-13, the Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

Rainy Day Fund. The 2014-15 State Budget proposes certain constitutional amendments to the Rainy Day Fund that will be on the November 2014 ballot. If approved by the voters, the constitutional amendments would (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues (and the 2014-15 State Budget notes that capital gains revenues are expected to account for approximately 9.8% of general fund revenues in fiscal year 2014-15); (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder use for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the Public School System Stabilization Account) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15, which amounts currently total about \$7.9 billion. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. As part of the 2014-15 State Budget, the Governor signed Senate Bill 858 ("SB 858") which includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Such provisions, however, would only become effective upon the State voters approval of the constitutional amendments relating to the Rainy Day Fund described above. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an Average Daily Attendance ("A.D.A.") of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is

more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. The District's original adopted budget for fiscal year 2014-15 projected total expenditures and other financing uses of approximately \$[____] million, 3% of which is approximately \$[____] million. The District's original adopted budget for fiscal year 2014-15 projected a combined assigned and unassigned ending fund balance of approximately \$[____] million.

The District cannot predict whether the proposed amendment to the Rainy Day Fund will be approved by voters or the extent to which the State will fund the Public School System Stabilization Account. In addition, the District cannot predict what steps it will implement, if any, to adjust its budgeted reserves to comply with the amended Education Code. Further, the District cannot predict whether the limitations on reserves in the Education Code, as amended, will apply solely to fund balances in the District's General Fund or if it will apply to other funds of the District. However, the District does not expect the limitations on reserves in the Education Code, as amended, to adversely affect its ability to pay the principal of and interest on the Bonds as and when due, which are payable from voter-approved *ad valorem* property taxes.

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

The complete 2014-15 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 replaced the existing revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base revenue limit funding grant ("Base Grant") per unit of A.D.A. with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The 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, 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 up to 22.5% 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 community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

All school districts, county offices of education and charter schools are 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 created 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 is 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.

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

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

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

AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, AB1X 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." AB1X 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until

its dissolution. However, until a successor agency adopts a “recognized obligation payment schedule” the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

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

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and 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 approximately \$[____] in pass-through payments in fiscal year 2014-15. The District does not anticipate the dissolution of redevelopment agencies to have any significant effect on its total general revenues.

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

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

A State law adopted in 1991 ("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 self-certified with the County Office of Education a qualified certification for all recent certification reports starting in 2008, including the first interim report for fiscal year 2014-15.]

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 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, 2014, and their report is attached hereto as APPENDIX C. 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

On June 6, 1978, California voters approved Proposition 13 (“Proposition 13”), which added Article XIII A to the State Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

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

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

Article XIII B of the California Constitution

An initiative to amend the State Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979, thereby adding Article XIII B to the State Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state

subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIIB does not affect the appropriation of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIB, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

In fiscal year 2013-14, the District had an appropriations limit (sometimes referred to as the “Gann limit”) of \$[] million and appropriations subject to the limit of \$[]. For fiscal year 2014-15, the District’s appropriations limit is budgeted at \$[] million.

Article XIIC and Article XIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIIC and XIID (“Article XIIC” and “Article XIID,” respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency’s governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in Santa Clara County Transportation Authority v. Guardino. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme

Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

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

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

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

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

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between

the third test and the second test would become a “credit” to be paid in future years when general fund revenue growth exceeds personal income growth.

Applications of Constitutional and Statutory Provisions

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

Future Initiatives

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

APPENDIX B

THE ECONOMY OF THE DISTRICT

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

Population

The population of the City and County is provided in the table below.

POPULATION GROWTH City of Sacramento and County of Sacramento 2000 through 2014

Year	City of Sacramento		County of Sacramento	
	Population	Annual % Change	Population	Annual % Change
2000	407,018	—	1,223,499	—
2001	412,918	1.4%	1,248,072	2.0%
2002	423,084	2.5	1,279,588	2.5
2003	429,918	1.6	1,307,189	2.2
2004	436,799	1.6	1,331,910	1.9
2005	442,662	1.3	1,350,523	1.4
2006	445,774	0.7	1,365,214	1.1
2007	452,711	1.6	1,380,172	1.1
2008	458,965	1.4	1,394,510	1.0
2009	463,633	1.0	1,406,168	0.8
2010	466,488	0.6	1,420,331	1.0
2011	469,477	0.6	1,430,691	0.7
2012	470,437	0.2	1,435,682	0.4
2013	472,511	0.7	1,442,752	0.8
2014	475,122	0.6	1,454,406	0.8

Source: California Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2001-2010 with 2000 & 2010 Census Counts for City and County of Sacramento for years 2000-2009; California Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011–2013, with 2010 Census Benchmark for City of Sacramento for years 2010-2013; California Department of Finance, E-1 California County Population Estimates and Components of Change by Year – January 1, 2013–2014 for County of Sacramento.

Employment

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

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT

County of Sacramento
2009 through 2013⁽²⁾

Industry	Employment ⁽¹⁾				
	2009	2010	2011	2012	2013 ⁽²⁾
Agriculture	2,700	2,700	2,500	2,600	2,600
Mining & Logging	100	100	100	200	200
Construction	26,900	23,500	22,600	22,800	27,000
Manufacturing	20,500	19,700	20,400	21,300	20,800
Transportation, Warehousing & Public Utilities	82,900	81,700	11,500	12,300	13,000
Information	14,200	13,200	12,600	11,600	11,300
Financial Activities	36,000	32,100	30,500	30,900	31,500
Professional and Business Services	75,400	76,300	78,000	83,100	85,900
Education and Health Services	69,500	68,300	70,300	71,400	88,700
Leisure and Hospitality	50,200	48,700	49,500	50,300	53,200
Other Services	20,400	19,900	19,700	19,500	19,500
Government	168,800	164,100	159,900	156,300	156,200
Total	567,600	550,300	477,600	482,300	509,900

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

⁽²⁾ Most current information available.

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

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
County of Sacramento
Annual Averages, 2001 through 2014⁽⁴⁾

Year	Civilian Labor Force	Employed Labor Force ⁽¹⁾	Unemployed Labor Force ⁽²⁾	Unemployment Rate ⁽³⁾
2001	624,700	596,400	28,300	4.5%
2002	645,500	609,000	36,500	5.7
2003	657,000	678,300	38,700	5.9
2004	661,600	624,400	37,200	5.6
2005	665,600	632,500	33,100	5.0
2006	670,500	638,600	31,900	4.8
2007	676,800	640,000	36,800	5.4
2008	680,400	631,600	48,800	7.2
2009	681,300	604,600	76,700	11.3
2010	682,000	595,200	86,700	12.7
2011	675,600	591,100	81,500	12.1
2012	680,200	608,400	71,800	10.6
2013	678,600	618,500	60,100	8.9
2014	680,200	633,500	46,800	6.9

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

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

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

⁽⁴⁾ Most current information available.

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

Major Employers

The table below represents the largest employers in the City for the Fiscal Year ended [June 30, 2014].

LARGEST EMPLOYERS City of Sacramento

[To be updated]

Company	Type of Business	Employees
State of California	Government	69,763
Sacramento County	Government	11,450
University of California, Davis Health System	Healthcare	7,725
Dignity Health	Healthcare	7,069
Intel Corporation	Technology	6,633
Kaiser Permanente	Managed Healthcare	6,360
Sutter Health Sacramento Sierra Region	Managed Healthcare	5,765
Elk Grove Unified School District	Education	5,021
Sacramento City Unified School District	Education	5,000
San Juan Unified School District	Education	4,700
City of Sacramento	Government	4,083

Source: City of Sacramento Comprehensive Annual Financial Report.

Construction Activity

The following tables provide a summary of annual building permit valuations and number of residential building permits for calendar years 2009 through 2014, for the City and for the County.

BUILDING PERMIT ACTIVITY City of Sacramento 2009 through 2014

[To be updated]

	2009	2010	2011	2012	2013	2014
Valuation (\$000)						
Residential	\$127,291	\$126,169	\$144,453	\$146,026		
Non-Residential	228,297	145,873	169,148	141,264		
TOTAL	\$355,588	\$272,042	\$313,601	\$287,290		
Dwelling Units						
Single Family	148	95	65	169		
Multiple family	68	96	234	286		
TOTAL	216	191	299	455		

Source: Construction Industry Research Board.

BUILDING PERMIT ACTIVITY
County of Sacramento
2009 through 2014

[To be updated]

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Valuation (\$000)						
Residential	\$381,628	\$412,765	425,498	440,750		
Non-Residential	<u>507,903</u>	<u>353,973</u>	<u>402,839</u>	<u>366,948</u>		
TOTAL	\$889,531	\$766,738	\$828,637	\$807,698		
Dwelling Units						
Single Family	881	843	727	1,290		
Multiple family	<u>92</u>	<u>338</u>	<u>606</u>	<u>343</u>		
TOTAL	973	1,181	1,333	1,633		

Source: Construction Industry Research Board.

Commercial Activity

The following tables show taxable sales within the City and the County for 2009 through 2013.

TAXABLE SALES City of Sacramento 2009 through 2013⁽²⁾ (\$000)

	2009 ⁽¹⁾	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾	2013 ⁽²⁾
Apparel Stores	\$314,415	\$319,555	\$331,037	\$339,108	\$159,335
General Merchandise	486,181	484,713	500,631	504,732	237,262
Food Stores	272,980	282,078	291,616	295,149	144,524
Eating & Drinking Places	675,035	687,669	718,749	762,531	398,559
Home Furnishings & Appliances	245,042	232,782	223,797	203,543	98,543
Building Material & Farm Implements	222,703	249,593	304,603	258,469	156,074
Automotive Group	285,724	259,294	282,738	338,082	186,102
Service Stations	424,739	484,980	574,763	612,199	302,062
Other Retail Stores	444,823	455,716	475,042	487,314	246,287
Total Retail Stores	\$3,371,643	\$3,456,380	\$3,702,978	\$3,801,126	\$1,928,749
All Other Outlets	1,577,522	1,491,067	1,588,997	1,670,192	842,644
Total All Outlets ⁽³⁾	\$4,949,165	\$4,947,448	\$5,291,975	\$5,471,319	\$2,771,393

⁽¹⁾ Beginning in 2009, the California Board of Equalization summarized taxable sales and permits using the North American Industry Classification System (NAICS) codes. As a result of the coding change, industry-level data after 2008 are not comparable to that of prior years.

⁽²⁾ Most current information available includes taxable sales for first and second quarter of 2013 only.

⁽³⁾ Total may not compute to total due to rounding.

Source: California State Board of Equalization.

TAXABLE SALES
County of Sacramento
2009 through 2013⁽²⁾
(\$000)

	2009 ⁽¹⁾	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾	2013 ⁽²⁾
Apparel Stores	\$772,262	\$786,230	\$800,952	\$855,369	\$422,650
General Merchandise	1,904,847	1,959,729	2,016,537	2,076,421	983,766
Food Stores	1,643,893	854,810	900,349	916,005	442,989
Eating & Drinking Places	838,995	1,665,337	1,743,327	1,854,027	967,197
Home Furnishings & Appliances	852,142	846,734	849,995	278,066	
Building Material & Farm Implements	890,055	911,945	994,959	1,024,765	597,099
Automotive Group	1,568,867	1,618,580	1,875,269	2,266,802	1,249,014
Service Stations	1,355,959	1,537,994	1,831,391	1,935,830	951,337
Other Retail Stores	1,425,299	1,434,328	1,490,029	563,728	180,223
 Total Retail Stores	 \$11,252,319	 \$11,615,687	 \$12,502,808	 \$13,366,459	 \$6,874,110
 All Other Outlets	 5,311,534	 5,288,841	 5,500,957	 5,723,389	 2,820,113
 Total All Outlets	 \$16,563,853	 \$16,904,528	 \$18,003,765	 \$19,089,848	 \$9,694,222

⁽¹⁾ Beginning in 2009, the California Board of Equalization summarized taxable sales and permits using the North American Industry Classification System (NAICS) codes. As a result of the coding change, industry-level data after 2008 are not comparable to that of prior years. *Source:* California Board of Equalization.

⁽²⁾ Most current information available includes taxable sales for first and second quarter of 2013 only.

⁽³⁾ Total may not compute to total due to rounding.

Source: California State Board of Equalization.

Income

The following tables provide a summary of per capita and personal income for calendar years 2009 through 2013, for the County, the State, and the United States.

PER CAPITA PERSONAL INCOME 2000 through 2013⁽¹⁾

Year	Sacramento County	California	United States
2000	\$29,406	\$33,398	\$30,318
2001	30,491	33,890	31,145
2002	30,979	34,045	31,461
2003	32,039	34,977	32,271
2004	33,569	36,903	33,881
2005	34,952	38,767	35,424
2006	36,629	41,567	37,698
2007	38,064	43,240	39,461
2008	38,782	43,853	40,674
2009	37,184	42,395	39,635
2010	37,700	42,514	39,937
2011	38,202	43,647	41,560
2012	41,837	44,980	42,693
2013	N/A	48,434 ⁽¹⁾	44,765 ⁽¹⁾

⁽¹⁾ Most current information available as of September 30, 2014

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

PERSONAL INCOME 2000 through 2013⁽¹⁾ (in thousands)

Year	Sacramento County	Annual Percent Change
2000	\$36,168,192	—
2001	38,609,037	6.7%
2002	40,305,530	4.4
2003	42,564,972	5.6
2004	45,282,367	6.4
2005	47,563,421	5.0
2006	50,165,916	5.5
2007	52,572,684	4.8
2008	54,078,812	2.9
2009	52,377,247	(3.1)
2010	53,612,730	2.4
2011	54,861,602	2.3
2012	60,668,975 ⁽¹⁾	—
2013	N/A	—

⁽¹⁾ Reflects estimates available as of March 2013.

OHSUSA:759348950.2 Source: U.S. Department of Commerce, Bureau of Economic Analysis.

APPENDIX C

**FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX E
FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

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

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

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

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

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

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

PAYING AGENT AGREEMENT

by and between the

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SACRAMENTO COUNTY, CALIFORNIA

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Paying Agent

Dated as of January 1, 2015

Relating to the

\$(PAR)
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2015 GENERAL OBLIGATION REFUNDING BONDS

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PAYING AGENT AGREEMENT

This PAYING AGENT AGREEMENT, made and entered into as of January 1, 2015, by and between WELLS FARGO BANK, NATIONAL ASSOCIATION, as paying agent (the "Paying Agent"), and the SACRAMENTO CITY UNIFIED SCHOOL DISTRICT, a school district duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"),

W I T N E S S E T H:

WHEREAS, the Board of Education (the "Board") of the Sacramento City Unified School District of the County of Sacramento, California (herein called the "District"), has heretofore issued its "Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005" (the "2005 Bonds");

WHEREAS, the Board has heretofore issued its "Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2007" (the "2007 Bonds") (such outstanding portions of the 2005 Bonds and the 2007 Bonds are referred to herein as the "Outstanding Bonds");

WHEREAS, pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, the District is authorized to issue refunding bonds to refund all or a portion of the Outstanding Bonds;

WHEREAS, the Board has determined, by its Resolution No. 2815, adopted on December [4], 2014 (the "Resolution"), that it is necessary and desirable that a portion of the Outstanding Bonds be refunded (such refunded portion being referred to herein as the "Prior Bonds"), and has authorized by said Resolution the issuance and sale of its "Sacramento City Unified School District 2015 General Obligation Refunding Bonds" (herein called the "Refunding Bonds") and the execution and delivery of this Paying Agent Agreement on behalf of the District;

WHEREAS, the District has found and determined and by execution hereof so represents that the issuance of the Refunding Bonds and the defeasance or refunding of the Prior Bonds will result in a net savings in the total interest cost to maturity of the Prior Bonds, including costs of issuance of the Refunding Bonds, pursuant to Section 53552 and 53556 of the California Government Code, and that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Paying Agent Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Paying Agent Agreement;

NOW, THEREFORE, in order to secure the payment of the Refunding Bonds and the performance and observance by the District of all the covenants, agreements and conditions herein and in the Refunding Bonds contained, and in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration, the District and the Paying Agent hereby agree as follows:

ARTICLE I

DEFINITIONS

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

“Authorized District Representative” shall mean the Superintendent of the District, the Chief Business Officer of the District, or any other designee of the Superintendent or the Board, acting with the authority of the Superintendent.

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

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

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

“Certificate of the District” See “Request of the District” defined herein.

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

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

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

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

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

“Escrow Agent” shall mean Wells Fargo Bank, National Association, as initial escrow agent under the Escrow Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place in accordance with the Escrow Agreement.

“Escrow Agreement” shall mean that certain agreement dated as of January 1, 2015, by and between the District and the Escrow Agent, regarding the outstanding Prior Bonds.

“Escrow Fund” shall mean that certain fund created and maintained by the Escrow Agent pursuant to the Escrow Agreement to provide for the payment of all amounts due with respect to the Prior Bonds.

“Holder” See “Bondowner” defined herein.

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

“Interest Payment Date” shall mean January 1 and July 1 of each year. The first Interest Payment Date shall be July 1, 2015.

“Law” shall mean Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and other applicable law.

“Order of the District” See “Request of the District” defined herein.

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

“Owner” See “Bondowner” defined herein.

“Paying Agent” shall mean Wells Fargo Bank, National Association, as initial paying agent, registrar, and transfer agent with respect to the Refunding Bonds, its successors and assigns and any other corporation or association which may at any time be substituted in its place.

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

“Prior Bonds” shall mean that certain portion of the outstanding bonds of the District designated “Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005” and “Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2007,” which are being refunded through the issuance of the Refunding Bonds, as described in the Escrow Agreement.

“Record Date” shall mean the 15th day of the month preceding any Interest Payment Date. The first Record Date shall be June 15, 2015.

“Refunding Bonds” shall mean the Sacramento City Unified School District 2015 General Obligation Refunding Bonds, issued hereunder.

“Redemption Date” shall mean any date on which the Refunding Bonds or any of them are called for redemption, as provided in Article IV hereof.

“Request of the District,” “Certificate of the District,” or “Order of the District” shall mean a written request, certificate or order, respectively, authorized and signed by an Authorized District Representative.

“State” shall mean the State of California.

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

ARTICLE II

THE REFUNDING BONDS

Section 2.01. Authorization; Date; Payment of Principal and Interest; Denominations. The Refunding Bonds shall be issued for the purpose of providing funds to pay and redeem the Prior Bonds, and to pay costs incurred in connection with the issuance, sale and delivery of the Refunding Bonds. The Refunding Bonds shall be issued by the District under and subject to the terms of this Paying Agent Agreement and the Law, and shall be designated as the “Sacramento City Unified School District 2015 General Obligation Refunding Bonds,” and shall be in the aggregate principal amount of \$[PAR].

The Refunding Bonds shall be dated as of _____, 2015. The Refunding Bonds shall bear interest at the respective rates shown in the table in this Section 2.01 below, payable on each Interest Payment Date, until payment of the principal amount thereof. Each Refunding Bond authenticated and registered on any date prior to the close of business on the first Record Date shall bear interest from the date of said Refunding Bond. Each Refunding Bond authenticated during the period between any Record Date and the close of business on its corresponding Interest Payment Date shall bear interest from such Interest Payment Date. Any other Refunding Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Refunding Bond, interest is in default on outstanding Refunding Bonds, such Refunding Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Refunding Bonds. Interest on the Refunding Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Refunding Bonds shall be issued in fully registered form, without coupons, in the denomination of \$5,000 principal amount or any integral multiple thereof, provided that no Refunding Bond shall mature on more than one maturity date.

The Refunding Bonds shall mature on the dates, in the principal amounts, and bear interest at the annual rates of interest, shown below:

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
------------------------------	-----------------------------	----------------------

The principal and any premium of the Refunding Bonds shall be payable in lawful money of the United States of America to the Owner thereof, upon the surrender thereof at the office of the Paying Agent designated for the purpose pursuant to Section 6.01(b).

The interest on the Refunding Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the Paying Agent as the Owner thereof as of the close of business on the applicable Record Date for each Interest Payment Date, whether or not such day is a Business Day. Payment of the interest on any Refunding Bond shall be made by check or draft mailed by first class mail on each Interest Payment Date (or on the following Business Day, if the Interest Payment Date does not fall on a Business Day) to such Owner at such Owner's address as it appears on such registration books or at such address as the Owner may have filed with the Paying Agent for that purpose; or upon written request of the Owner of Refunding Bonds aggregating not less than \$1,000,000 in principal amount, given no later than the Record Date immediately preceding the applicable Interest Payment Date, by wire transfer in immediately available funds to an account maintained in the United States at such wire address as such Owner shall specify in its written notice. So long as Cede & Co. or its registered assigns shall be the registered owner of any of the Refunding Bonds, payment shall be made thereto by wire transfer as provided in Section 2.04(d) hereof.

Section 2.02. Form and Registration of Refunding Bonds. (a) The Refunding Bonds, the Paying Agent's certificate of authentication and registration, and the form of assignment to appear thereon shall be in substantially the forms, respectively, attached hereto as Exhibit A, with necessary or appropriate variations, omissions and insertions as permitted or required by this Paying Agent Agreement (provided that if a portion of the text of any Refunding Bond is printed on the reverse of the bond, the following legend shall be printed on the bond: "THE PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE HEREOF

AND SUCH CONTINUED PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.”).

(b) The Refunding Bonds when issued shall be registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company, New York, New York, and shall be initially issued as one bond for each of the maturities of the Refunding Bonds, in the principal amounts set forth in the table in Section 2.01. The Depository Trust Company is hereby appointed depository for the Refunding Bonds and registered ownership of the Refunding Bonds may not thereafter be transferred except as provided in Sections 2.04 and 2.05 hereof.

Section 2.03. Execution and Authentication of Refunding Bonds. The Refunding Bonds shall be signed by the manual or facsimile signature of the President or any member of the Board and the Secretary of the Board or his or her designee. The Refunding Bonds shall be authenticated by a manual signature of a duly authorized officer of the Paying Agent.

Only such of the Refunding Bonds as shall bear thereon a certificate of authentication and registration in the form given in Appendix A hereto, executed by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Paying Agent Agreement, and such certificate of the Paying Agent shall be conclusive evidence that the Refunding Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Paying Agent Agreement.

Section 2.04. Book-Entry System. (a) The Refunding Bonds shall be initially issued and registered as provided in Section 2.02(b) hereof. Registered ownership of the Refunding Bonds, or any portion thereof, may not thereafter be transferred except:

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

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

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

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the outstanding Refunding Bonds by the Paying Agent, together with a Request of the District, a new Refunding Bond for each maturity shall be executed and delivered pursuant to the procedures described in the third paragraph of Section 2.05 hereof in the aggregate principal amount of the Refunding Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Request of the District. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the outstanding Refunding Bonds by the Paying Agent together with a Request of the District, new Refunding Bonds shall be executed and delivered in such denominations numbered in the manner determined by the Paying Agent and registered in the names of such persons as are requested in such Request of the District, subject to the limitations of Section 2.01 and the receipt of such a Request of the District, and thereafter, the Refunding Bonds shall be transferred pursuant to the provisions set forth in Section 2.05 of this Paying Agent Agreement; provided, that the Paying Agent shall not be required to deliver such new Refunding Bonds within a period of fewer than 60 days.

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

(d) So long as the outstanding Refunding Bonds are registered in the name of Cede & Co., or its registered assigns, the District and the Paying Agent shall cooperate with Cede & Co., as sole Owner, or its registered assigns, in effecting payment of the principal of and interest on the Refunding Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available (*e.g.*, by wire transfer) on the date they are due.

Section 2.05. Transfer of Refunding Bonds upon Termination of Book-Entry System. In the event that, at any time, the Refunding Bonds shall no longer be registered in the name of Cede & Co. as a result of the operation of Section 2.04 hereof, then the procedures contained in this Section 2.05 shall apply.

Any Refunding Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.07 hereof by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Refunding Bond to the Paying Agent for cancellation at the office of the Paying Agent designated for that purpose, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Refunding Bond shall be surrendered for transfer, the designated District officials shall execute (as provided in Section 2.03 hereof) and the Paying Agent shall authenticate and deliver a new Refunding Bond of the same maturity, for a like aggregate

principal amount and bearing the same rate or rates of interest. The Paying Agent shall require the payment by the Bondowner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

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

Section 2.06. Exchange of Refunding Bonds. Refunding Bonds may be exchanged at the office of the Paying Agent designated for that purpose, for a like aggregate principal amount of Refunding Bonds of other authorized denominations of the same maturity and interest rate. The Paying Agent shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of Refunding Bonds shall be required to be made by the Paying Agent during the period from the close of business on the Record Date next preceding any Interest Payment Date or Redemption Date to and including such Interest Payment Date or Redemption Date.

Section 2.07. Bond Register. (a) The Paying Agent will keep or cause to be kept, at the place it shall designate for the purpose, sufficient books for the registration and transfer of the Refunding Bonds, which shall at all times be open to inspection by the District and the County, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Refunding Bonds as hereinbefore provided.

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

ARTICLE III

ISSUANCE OF THE REFUNDING BONDS

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

Section 3.02. Application of Proceeds of Sale of Refunding Bonds. Upon the delivery of the Refunding Bonds to the initial purchaser thereof and the receipt from said initial purchaser of the purchase price of the Refunding Bonds in the amount of \$_____ (consisting of the par amount thereof, plus the original issue premium of \$_____, less the underwriter's discount of \$_____), the District shall cause said amounts to be deposited with the Escrow Agent in the "funding fund" for the Refunding Bonds, and the Escrow Agent shall deposit (or transfer) said amount as follows:

- (i) \$_____ to the Escrow Fund created pursuant to the Escrow Agreement;

- (ii) \$_____ to the Costs of Issuance Account, which is hereby created pursuant to Section 15146 of the Education Code and which shall be held by the County.

ARTICLE IV

REDEMPTION OF THE REFUNDING BONDS

Section 4.01. Terms of Redemption. (a) Optional Redemption. Refunding Bonds maturing on or before July 1, 2024, are not subject to redemption prior to their respective stated maturity dates. Refunding Bonds maturing on and after July 1, 2025, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after July 1, 2024. Refunding Bonds shall be redeemed at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

(b) Selection of Bonds for Redemption. If less than all of the Refunding Bonds are called for redemption, Refunding Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the Refunding Bonds of any given maturity are called for redemption, the portions of Refunding Bonds of a given maturity to be redeemed shall be determined by lot.

(c) Notice of Redemption. Notice of redemption of any Refunding Bonds shall be given by the Paying Agent on behalf of the District. Notice of any redemption of Refunding Bonds shall be mailed postage prepaid, not less than 20 nor more than 45 days prior to the redemption date (i) by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books described in Section 2.07, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate.

Each notice of redemption shall contain all of the following information:

- (i) the date of such notice;
- (ii) the name of the Refunding Bonds and the date of issue of the Refunding Bonds;
- (iii) the redemption date;
- (iv) the redemption price;
- (v) the dates of maturity of the Refunding Bonds to be redeemed;
- (vi) (if less than all of the Refunding Bonds of any maturity are to be redeemed) the distinctive numbers of the Refunding Bonds of each maturity to be redeemed;

- (vii) (in the case of Refunding Bonds redeemed in part only) the respective portions of the principal amount of the Refunding Bonds of each maturity to be redeemed;
- (viii) the CUSIP number, if any, of each maturity of Refunding Bonds to be redeemed;
- (ix) a statement that such Refunding Bonds must be surrendered by the Owners at the office of the Paying Agent designated by the Paying Agent for such purpose; and
- (x) notice that further interest on such Refunding Bonds will not accrue after the designated redemption date.

(d) Effect of Notice. A certificate of the Paying Agent or the District that notice of call and redemption has been given to Owners and to the appropriate securities depositories and information services as herein provided shall be conclusive as against all parties. The actual receipt by the Owner of any Refunding Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of interest on the date fixed for redemption. Inclusion of CUSIP numbers in any notice of redemption shall not constitute a representation by the District or the Paying Agent as to the accuracy thereof and the notice may so state.

When notice of redemption has been given substantially as provided for herein, and when the redemption price of the Refunding Bonds called for redemption is set aside for the purpose as described in subsection (g) of this Section, the Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Refunding Bonds so called for redemption after such redemption date shall look for the payment of such Refunding Bonds and the redemption premium thereon, if any, only to the Interest and Sinking Fund or the escrow fund established for such purpose. All Refunding Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

(e) Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Refunding Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the interest and sinking fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Refunding Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Refunding Bond of

notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

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

(g) Redemption Fund. Prior to or on the redemption date of any Refunding Bonds there shall be available in the Interest and Sinking Fund of the District, or held in trust for such purpose as provided by law, moneys for the purpose and sufficient to redeem, at a price equal to 100% of the principal amount thereof, without premium, the Refunding Bonds designated in said notice of redemption. Such moneys so set aside in any such escrow fund shall be applied on or after the redemption date solely for payment of principal of and premium, if any, on the Refunding Bonds to be redeemed upon presentation and surrender of such Refunding Bonds, provided that all moneys in the Interest and Sinking Fund of the District shall be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the Interest and Sinking Fund of the District, unless otherwise provided for to be paid from such escrow. If, after all of the Refunding Bonds have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Interest and Sinking Fund of the District or otherwise held in trust for the payment of redemption price of the Refunding Bonds, said moneys shall be held in or returned or transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; provided, however, that if said moneys are part of the proceeds of bonds of the District, said moneys shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

(h) Defeasance of Refunding Bonds. If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all outstanding Refunding Bonds all of the principal, interest and premium, if any, represented by Refunding Bonds at the times and in the manner provided herein and in the Refunding Bonds, or as provided in the following paragraph, or as otherwise provided by law consistent herewith, then such Owners shall cease to be entitled to the obligation to levy taxes for payment of the Refunding Bonds as described in Section 5.02 hereof, and such obligation and all agreements and covenants of the District to such Owners hereunder and under the Refunding Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Refunding Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of Section 6.06 hereof shall apply in all events.

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

ARTICLE V

COVENANTS OF THE DISTRICT

Section 5.01. Payment of Principal and Interest. On or prior to the date any payment is due in respect of the Refunding Bonds, the District will cause moneys to be deposited with the Paying Agent sufficient to pay the principal and the interest (and premium, if any) to become due in respect of all Refunding Bonds outstanding on such payment date. When and as paid in full, and following surrender thereof to the Paying Agent, all Refunding Bonds shall be cancelled by the Paying Agent, and thereafter they shall be destroyed.

Section 5.02. Obligation to Levy Taxes for Payment of Bonds. The Paying Agent and the Director of Finance hereby acknowledge that pursuant to the general laws of the State of California, the obligation to levy and collect taxes for the payment of the Refunding Bonds, and to pay principal and interest on the Refunding Bonds when due, are legal obligations of the County and the Director of Finance and shall be performed by the Director of Finance. The District shall take all steps required by law and by the County to ensure that the Board of Supervisors shall annually levy a tax upon all taxable property in the District sufficient to redeem the Refunding Bonds, and to pay the principal, redemption premium, if any, and interest thereon as and when the same become due. The District is not obligated to pledge and pledges no moneys hereunder other than as provided for and required by the Law.

Section 5.03. Validity of Refunding Bonds. The recital contained in the Refunding Bonds that the same are regularly issued pursuant to the Law shall be conclusive evidence of their validity and of compliance with the provisions of the Law in their issuance.

Section 5.04. Further Assurances. The District will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondowners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Paying Agent Agreement.

Section 5.05. Tax Covenants. (a) The District covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Refunding Bonds under

Section 103 of the Code. Without limiting the generality of the foregoing, the District covenants that it will comply with the requirements of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Refunding Bonds.

(b) In the event that at any time the District is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Paying Agent or the Director of Finance on behalf of the District, the District shall so instruct the Paying Agent or Treasurer in writing.

(c) Notwithstanding any provision of this Section, if the District shall obtain and provide to the Paying Agent or the Director of Finance, as appropriate, an Opinion of 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 federal income tax of interest on the Refunding Bonds, the Paying Agent and Treasurer may conclusively rely on such Opinion of Counsel in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

ARTICLE VI

THE PAYING AGENT

Section 6.01. Appointment; Acceptance; Designated Office. (a) Appointment and Acceptance of Duties. Wells Fargo Bank, National Association is hereby appointed Paying Agent, and hereby accepts and agrees to perform the duties and obligations of the Paying Agent, registrar and transfer agent specifically imposed upon it by this Paying Agent Agreement, and no implied duties shall be read into this Paying Agent Agreement against the Paying Agent.

The Paying Agent is hereby authorized and hereby agrees to pay or redeem the Refunding Bonds when duly presented for payment at maturity, or on prior redemption, and to cancel all Refunding Bonds upon payment thereof. The Paying Agent shall keep accurate records of all funds administered by it and of all Refunding Bonds paid and discharged.

(b) Office of the Paying Agent. The Paying Agent, and any successor Paying Agent, shall designate each place or places where it will conduct the functions of transfer, registration, exchange, payment, and surrender of the Refunding Bonds. If no office is so designated for a particular purpose, such functions shall be conducted at the principal corporate trust office of the Paying Agent, or the principal corporate trust office of any successor Paying Agent.

Section 6.02. Protection of Paying Agent. The Paying Agent hereby agrees, provided sufficient immediately available funds have been provided to it for such purpose by or on behalf of the District, to use the funds deposited with it solely for payment of the principal of and interest on the Refunding Bonds as the same shall become due or become subject to earlier redemption.

Section 6.03. Reliance on Documents, Etc.

(a) The Paying Agent may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Paying Agent by the District.

(b) The Paying Agent shall not be liable for any error of judgment made in good faith. The Paying Agent shall not be liable for other than its negligence or willful misconduct in connection with any act or omission hereunder.

(c) No provision of this Paying Agent Agreement shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(d) The Paying Agent may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent need not examine the ownership of any Refunding Bond, but is protected in acting upon receipt of Refunding Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Bondowner or agent of the Bondowner.

(e) The Paying Agent may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(f) The Paying Agent may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys.

Section 6.04. Recitals of District. The recitals contained herein and in the Refunding Bonds shall be taken as the statements of the District, and the Paying Agent assumes no responsibility for their correctness.

Section 6.05. Paying Agent May Own Refunding Bonds. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of Refunding Bonds with the same rights it would have if it were not the Paying Agent for the Refunding Bonds.

Section 6.06. Money Held by Paying Agent; Unclaimed Moneys. Money held by the Paying Agent hereunder may be commingled with other funds held by the Paying Agent, but shall be separately accounted for. Except as otherwise provided herein, the Paying Agent shall have no duties with respect to investment of funds deposited with it and shall be under no obligation to pay interest on any money received by it hereunder.

Any money held in any fund created pursuant to this Paying Agent Agreement, or held by the Paying Agent in trust, for the payment of the principal of, redemption premium, if any, or interest on the Refunding Bonds and remaining unclaimed for two years after the principal of all of the Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund of the District for

payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Section 6.07. Other Transactions. The Paying Agent may engage in or be interested in any financial or other transaction with the District.

Section 6.08. Interpleader. The Paying Agent may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The Paying Agent has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

Section 6.09. Indemnification. The District shall indemnify the Paying Agent, its officers, directors, employees, and agents for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Paying Agent's acceptance or administration of the Paying Agent's duties hereunder or under the Refunding Bonds (except any loss, liability or expense as may be adjudicated by a court of competent jurisdiction to be attributable to the Paying Agent's negligence or willful misconduct), including without limitation the cost and expense (including its counsel fees and disbursements, including the allocated costs and disbursements of internal counsel) of defending itself against any claim or liability (except such action as may be brought against the Paying Agent by the District, unless the Paying Agent did not commit willful misconduct or negligence) in connection with the exercise or performance of any of its powers or duties under this Paying Agent Agreement. The provisions of this Section 6.09 shall survive termination of this Paying Agent Agreement and shall continue for the benefit of any Paying Agent after its resignation as Paying Agent hereunder.

ARTICLE VII

MISCELLANEOUS

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

Section 7.02. Continuing Disclosure. The District hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Paying Agent Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided that any Owner or Beneficial Owner (as defined below) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this section. For purposes of this section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries).

Section 7.03. Notices. Unless otherwise specified herein, all notices, statements, orders, requests or other communications hereunder by any party to another shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, return receipt requested, postage prepaid, or if given by fax, electronically, or other means of written communication and confirmed by mail:

If to the District:

Sacramento City Unified School District
5735 47th Ave
Sacramento, California 95824
Attn: Chief Business Officer

If to the Paying Agent:

Wells Fargo Bank, National Association
625 Marquette Avenue, 11th Floor
Minneapolis, MN 55479
Attn: Corporate Trust Services

If to the County:

Director of Finance
County of Sacramento
700 "H" Street, Room 3650
Sacramento, California 95814

Section 7.04. Governing Law. This Paying Agent Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this PAYING AGENT AGREEMENT, relating to the SACRAMENTO CITY UNIFIED SCHOOL DISTRICT 2015 GENERAL OBLIGATION REFUNDING BONDS, to be duly executed by their officers duly authorized as of the date first written above.

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By _____
Authorized District Representative

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Paying Agent

By _____
Authorized Representative

Acknowledged:

By _____
Director of Finance
County of Sacramento

EXHIBIT A
[FORM OF BOND]

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2015 General Obligation Refunding Bonds

Interest Rate	Maturity Date	Dated as of	CUSIP NO.
_____%	July 1, 20__	_____, 2015	_____

Registered Owner: CEDE & CO.

Principal Sum: _____ DOLLARS

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT of Sacramento County, State of California (herein called the "District"), acknowledges itself obligated to and promises to pay to the registered owner identified above or registered assigns, but only from taxes collected by the County of Sacramento (the "County") for such purpose pursuant to Section 15250 of the Education Code of the State of California, on the maturity date set forth above or upon redemption prior thereto, the principal sum specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money at the interest rate per annum stated above, computed on the basis of a 360-day year of twelve 30-day months, payable on January 1 and July 1 of each year, commencing July 1, 2015, until payment of said principal sum. If this bond is authenticated and registered on any date prior to the close of business on June 15, 2015, it shall bear interest from the date hereof. If authenticated during the period between any Record Date (defined as the 15th day of the month preceding an interest payment date) and the close of business on its corresponding interest payment date, it shall bear interest from such interest payment date. Otherwise, this bond shall bear interest from the interest payment date immediately preceding the date of its authentication.

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

This bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying series, numbers, denominations, interest rates, maturities and redemption provisions), amounting in the aggregate to \$[PAR], designated as "Sacramento City Unified School District 2015 General Obligation Refunding Bonds" (the "Bonds"), issued for the purpose of refunding and redeeming certain outstanding bonds of the District. The Bonds were authorized by a resolution approved by the Board of Education of the District (the "Board") on December [4], 2014 (the "Resolution") and are issued and sold pursuant to a Paying Agent Agreement (the "Paying Agent Agreement"), dated as of January 1, 2015, between the District and the Paying Agent. The Bonds are issued and sold by the District pursuant to and in strict conformity with the provisions of the Paying Agent Agreement and of the Constitution and laws of California, specifically

under the authority of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

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

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

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

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

The Board hereby certifies and declares that the total amount of indebtedness of the District, including the amount of this bond, is within the limit provided by law, that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this bond have been done and performed in strict conformity with the laws authorizing the issuance of this bond, that this bond is in the form prescribed by order of this Board duly made and entered on its minutes and shall be payable out of the Interest and Sinking Fund of the District, and the money for the payment of the principal of this bond, premium, if any, and the payment of interest hereon, shall be raised by taxation upon the taxable property of said District.

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

IN WITNESS WHEREOF, the Board of Education of the Sacramento City Unified School District has caused this Sacramento City Unified School District 2015 General Obligation Refunding Bond to be signed by facsimile signatures of its President and of the Secretary of the Board.

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

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

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Sacramento City Unified School District 2015 General Obligation Refunding Bonds described in the within-mentioned Paying Agent Agreement authenticated and registered on _____, 2015.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as
Paying Agent/Registrar and Transfer Agent

By _____
Authorized Officer

DTC LEGEND

Unless this bond 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 bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

ASSIGNMENT

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

I.D. Number

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

Dated: _____

Signature Guarantee: _____

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

REDEMPTION SCHEDULE

Optional Redemption

Refunding Bonds maturing on or before July 1, 2024, are not subject to redemption prior to their respective stated maturity dates. Refunding Bonds maturing on and after July 1, 2025, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after July 1, 2024. Refunding Bonds shall be redeemed at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

BOND PURCHASE CONTRACT

\$ _____
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2015 GENERAL OBLIGATION REFUNDING BONDS

_____, 2015

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

Ladies and Gentlemen:

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

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the District for offering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the Sacramento City Unified School District 2015 General Obligation Refunding Bonds (the "Refunding Bonds"), at the purchase price of \$_____, which has been computed as the aggregate principal amount of the Refunding Bonds (\$_____) plus original issue premium thereon (\$_____), less Underwriter's discount (\$_____). The present value of the debt service savings with respect to the Prior Bonds (defined below) is _____% of the aggregate principal amount of such Prior Bonds, and the Underwriter's discount is _____%. The true interest cost for the Bonds is _____%.

The Refunding Bonds are being issued in order to effect the refunding of all or a portion of the District's General Obligation Bonds, Election of 2002, Series 2005 and General Obligation Bonds, Election of 2002, Series 2007 (together, the "Prior Bonds"). The net proceeds of the Refunding Bonds will be deposited into an Escrow Fund (the "Escrow Fund") established pursuant to that certain Escrow Agreement dated as of January 1, 2015 (the "Escrow

Agreement”), by and between the District and Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”). The sufficiency of the amounts deposited in and the investment earnings on the Escrow Fund to pay the principal and the redemption price of, the Prior Bonds will be verified by Causey Demgen & Moore P.C., certified public accountants, as verification agent (the “Verification Agent”).

The District acknowledges and agrees that (i) the purchase and sale of the Refunding Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the District and the Underwriter, (ii) in connection therewith and with the discussion, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of or a financial advisor to the District, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to (x) the offering of the Refunding Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the District on other matters) or (y) any other obligation of the District except the obligations expressly set forth in this Purchase Contract, and (iv) the District has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Refunding Bonds.

2. The Refunding Bonds. The Refunding Bonds shall be issued pursuant to Section 53583 and following of the Government Code of the State of California, and in accordance with Resolution No. 2815 of the Board of Education of the District (the “Board”), adopted on December [4], 2014 (the “Resolution”) with respect to the Refunding Bonds. The Refunding Bonds shall conform in all respects to the terms and provisions set forth in the Resolution, that certain Paying Agent Agreement dated as of January 1, 2015 (the “Paying Agent Agreement”), to be entered into by and between the District and Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”), and in Appendix A to this Purchase Contract. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

The Refunding Bonds shall be dated their date of delivery, expected to be _____, 2015, shall mature on July 1 in each of the years, in the principal amounts and bear interest at the rates shown in Appendix A. Interest on the Refunding Bonds shall be payable on July 1, 2015, and thereafter on January 1 and July 1 in each year until maturity or prior redemption.

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

The Refunding Bonds shall otherwise be as described in the Preliminary Official Statement of the District with respect thereto, dated _____, 2014 (together with the appendices thereto, any documentation incorporated therein by reference, and any supplements or amendments thereto, the “Preliminary Official Statement”).

One fully registered certificate for each maturity of the Refunding Bonds will be prepared and delivered as described in Section 8 hereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, NY (“DTC”), and will be made

available to the Underwriter for inspection at such place as may be mutually agreed to by the Underwriter and the District, not less than three Business Days prior to the Closing Date, as defined in Section 3 below. The Underwriter shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the Refunding Bonds, but neither the failure to print such number on any Refunding Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Refunding Bonds in accordance with the terms of this Purchase Contract.

3. Offering. The Underwriter hereby certifies that it has made a *bona fide* public offering of all the Refunding Bonds as of the date hereof at the initial public offering prices shown in the table attached to Appendix A hereto. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Refunding Bonds. On or prior to _____, 2015 (the “Closing Date”), the Underwriter shall provide the District with information regarding the prices at which a representative portion of each maturity of the Refunding Bonds was sold to the public, in such form as Bond Counsel may reasonably request, for purposes of determining the yield on the Refunding Bonds.

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

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

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

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

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

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

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

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

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

(e) The District represents to the Underwriter that the Preliminary Official Statement has been "deemed final" by the District as of its date within the meaning of paragraph (a)(2) of Rule 15c2-12, except for the omission of some or all of such information the omission of which is permitted under Rule 15c2-12.

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

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

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

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

(j) As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the title of the officials of the District to such offices; or (ii)

seeking to restrain or enjoin the sale, issuance or delivery of any of the Refunding Bonds, the application of the proceeds of the sale of the Refunding Bonds, or the collection of revenues or assets of the District pledged or to be pledged or available to pay the principal of and interest on the Refunding Bonds, or the pledge thereof, or the levy of any taxes contemplated by the Resolution or in any way contesting or affecting the validity or enforceability of the Refunding Bonds, this Purchase Contract, the Paying Agent Agreement or the Resolution, contesting the powers of the District or the Resolution or this Purchase Contract or the entitlement of the officers of the District who have signed the Refunding Bonds and the various certificates and agreements of the District relating to the issuance and sale of Refunding Bonds, to their respective offices; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Contract, the Paying Agent Agreement or the Resolution, (b) declare this Purchase Contract to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Refunding Bonds from gross income for federal income tax purposes and the exemption of such interest from State of California personal income taxation.

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

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

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

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

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

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

(d) The Underwriter has no, and has had no, financial advisory relationship, as that term is defined in Section 53590(c) of California Government Code, with the District with

respect to the Refunding Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has, or has had, any such financial advisory relationship.

(e) The Underwriter agrees to provide to the District written notice of the commencement of the period specified in Section 4(g) hereof.

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

6. Conditions to Closing. (a) At or before the Closing Date, and contemporaneously with the acceptance of delivery of the Refunding Bonds, the District will provide to the Underwriter:

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

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

(3) A certificate, signed by an official of the District (or an opinion of counsel to the District), confirming to the Underwriter that, as of the date of this Purchase Contract and on the Closing Date, there is no litigation pending, with service of process completed, or, to the best of the knowledge of said person, threatened, concerning the validity of the Refunding Bonds, the levy of taxes to repay the Refunding Bonds or the application of tax proceeds to that purpose, the corporate existence of the District, or the entitlement of the officers of the District who have signed the Refunding Bonds and the various certificates and agreements of the District relating to the issuance and sale of Refunding Bonds, to their respective offices.

(4) A certificate or certificates, signed by an official of the District, confirming to the Underwriter that as of the Closing Date all of the representations of the District contained in this Purchase Contract are true, and that the Resolution is in full force and effect and has not been amended, modified or rescinded.

(5) The Verification Report of the Verification Agent, verifying the sufficiency of the deposit of net proceeds of the Refunding Bonds and the investment earnings thereon to provide for payment of the redemption price of the Prior Bonds, in compliance with applicable laws of the State of California.

(6) The opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel with respect to the issuance of the Refunding Bonds (“Bond Counsel”), addressed to the District, approving the validity of the Refunding Bonds, substantially in the form set forth as Appendix C to the Official Statement, together with a reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described above;

(7) The duly executed Tax Certificate of the District, dated the Closing Date, in form satisfactory to Bond Counsel.

(8) The receipts of the Escrow Agent and the Trustee confirming payment by the Underwriter of the respective portions of the purchase price of the Refunding Bonds.

(9) The Continuing Disclosure Certificate of the District, in substantially the form attached to the Preliminary Official Statement.

(10) A certified copy of the adopted Resolution.

(11) An executed copy of the Paying Agent Agreement.

(12) An executed copy of this Purchase Contract.

(13) An executed copy of the Official Statement.

(14) An executed copy of the Escrow Agreement.

(15) The letter of Standard & Poor’s to the effect that such rating agency has rated the Refunding Bonds “A+” respectively (or such other equivalent rating as such rating agency may give), and that such rating has not been revoked or downgraded.

(16) Such additional opinions, certificates, and documents as Bond Counsel or the Underwriter may reasonably request to evidence the truth and correctness, as of the Closing Date, of the representations of the parties contained herein, and of the District contained in the Official Statement, and the due performance or satisfaction by the parties at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(b) On or before the Closing Date, and contemporaneously with the acceptance of delivery of the Refunding Bonds and the payment of the purchase price thereof, the Underwriter will provide to the District:

(1) the receipt of the Underwriter, in form satisfactory to the District and signed by an authorized officer of the Underwriter, confirming delivery of the Refunding Bonds to the Underwriter and the satisfaction of all conditions and terms of this Purchase Contract by the District, and confirming to the District that as of the Closing Date all of the representations of the Underwriter contained in this Purchase Contract are true, complete and correct in all material respects.

(2) the certification of the Underwriter, in form satisfactory to Bond Counsel, regarding the prices at which the Refunding Bonds have been reoffered to the public, as described in Section 3 hereof.

7. Termination. (a) *By District.* In the event of the District's failure to deliver the Refunding Bonds on the Closing Date, or inability of the District to satisfy the conditions to the obligations of the Underwriter contained herein (unless waived by the Underwriter), or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate.

(b) *By Underwriter.*

(1) *Excused.* The Underwriter may terminate this Purchase Contract, without any liability therefor, by notification to the District if as of the Closing Date any of the following shall have had a material adverse effect on the marketability or market price of the Refunding Bonds, in the reasonable opinion of the Underwriter, upon consultation with the District:

(i) 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;

(ii) 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;

(iii) Legislation shall have been enacted or introduced by the Congress of the United States, or passed by and still pending before either House of the Congress, or recommended or endorsed to the Congress for passage by the President of the United States, or favorably reported for passage to and still pending before either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or a ruling or regulation shall have been issued by the U.S. Treasury, with respect to federal taxation of interest received on securities of the general character of the Refunding Bonds, or legislation shall have been enacted by the State of California which renders interest on the Refunding Bonds not exempt

from State of California personal income taxes, which in the reasonable opinion of the Purchaser materially adversely affects the marketability or market price of the Refunding Bonds;

(iv) 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 Refunding Bonds to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Resolution or the Paying Agent Agreement to be qualified under the Trust Indenture Act of 1939, as amended;

(v) The New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose and there shall be in effect, as to the Refunding Bonds or obligations of the general character of the Refunding Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, underwriters; and

(vi) Congress shall have made a formal declaration of war, or the President of the United States shall have ordered a new major engagement in or escalation of military hostilities, or there shall have occurred a declared national emergency that interrupts or causes disorder to the operation of the financial markets in the United States.

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

8. Closing. At or before 9:00 a.m., California time, on _____, 2015, or at such other date and time as shall have been mutually agreed upon by the District and the Underwriter, the District will deliver or cause to be delivered to the Underwriter the Refunding Bonds in book-entry form duly executed by the District, together with the other documents described in Section 6(a) hereof; and the Underwriter will accept such delivery and pay the purchase price of the Refunding Bonds as set forth in Section 1 hereof in immediately available funds by federal funds wire, in an aggregate amount equal to such purchase price, plus accrued interest, if any, on the Refunding Bonds from the date thereof to the date of such payment, and shall deliver to the District the other documents described in Section 6(b) hereof, as well as any other documents or certificates Bond Counsel shall reasonably require.

Payment for the delivery of the Refunding Bonds as described herein shall be made by the Underwriter to the Escrow Agent and the Director of Finance, as appropriate. The Refunding Bonds will be delivered through the facilities of DTC in New York, New York, or at such other place as shall have been mutually agreed upon by the District and the Underwriter.

All other documents to be delivered in connection with the delivery of the Refunding Bonds shall be delivered at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California.

9. Expenses. (a) The District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Refunding Bonds (or from any other source of available funds of the District) which expenses may include: (i) the cost of the preparation and reproduction of the Resolution and the Paying Agent Agreement; (ii) the fees and disbursements of District counsel; (iii) the fees and disbursements of Bond and Disclosure Counsel; (iv) the costs of the preparation, printing and delivery of the Refunding Bonds; (v) the costs of the preparation, printing and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto in the quantity requested by the Underwriter in accordance herewith; (vi) initial rating fees of Standard & Poor's; (vii) fees and expenses of the Paying Agent for the Refunding Bonds; (viii) fees and expenses of the Escrow Agent with respect to the Prior Bonds; (ix) fees and expenses of the Financial Advisor; (x) fees of the escrow bidding agent, if any; and (xi) fees and expenses of the Verification Agent.

(b) All other costs and expenses incurred by the Underwriter as a result of or in connection with the purchase of the Refunding Bonds and their public offering and distribution shall be borne by the Underwriter, including, but not limited to (i) clearing house fees; (ii) DTC fees; (iii) CUSIP fees; (iv) fees required to be paid to the California Debt and Investment Advisory Commission ("CDIAC"); (v) fees payable to The Securities Industry and Financial Markets Association ("SIFMA"); (vi) MSRB fees; and (vii) costs or fees of qualifying the Refunding Bonds for offer and sale in various states chosen by the Underwriter and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith.

10. Notices. Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the introductory paragraph hereof) may be given to the District or the Underwriter by delivering the same in writing to the District or the Underwriter at the addresses given below, or such other address as the District or the Underwriter may designate by notice to the other party.

To the District: Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824
Attn: Chief Business Officer

To the Underwriter: Stifel Nicolaus & Company, Inc.
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attn: [_____]

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

12. Parties in Interest. This Purchase Contract when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriter, and is solely for the benefit of the District and the Underwriter (including the

successors or assigns thereof). No other person shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements in this Purchase Contract of each of the parties hereto shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Refunding Bonds hereunder, or (b) any termination of this Purchase Contract.

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

14. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Authorized District Underwriter, and shall be valid and enforceable at the time of such acceptance.

15. Counterparts. This Purchase Contract, for the purchase and sale of the Sacramento City Unified School District 2015 General Obligation Refunding Bonds, may be executed in several counterparts, which together shall constitute one and the same instrument.

Respectfully submitted,

STIFEL NICOLAUS & COMPANY, INC., as
Underwriter

By: _____
Authorized Officer

Accepted: _____, 2015.
Time of Execution: _____ a.m./p.m.

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By: _____
Authorized District Representative

PURCHASE CONTRACT APPENDIX A

TERMS OF THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT 2015 GENERAL OBLIGATION REFUNDING BONDS

Interest Rates: See attached Pricing Report from Underwriter as Schedule A.

Principal Payments: See attached Pricing Report from Underwriter as Schedule A.

Terms of Redemption: *Optional Redemption of Bonds.* The Bonds maturing on or before July 1, 2024 shall not be subject to redemption prior to their respective stated maturity dates. The Refunding Bonds maturing on and after July 1, 2025, shall be subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after July 1, 2024, at a redemption price of par plus accrued interest to the redemption date, without premium.

SCHEDULE A

ESCROW AGREEMENT

by and between the

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

and

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Escrow Agent**

Dated as of January 1, 2015

RELATING TO:

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2002, SERIES 2005**

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2002, SERIES 2007**

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ESCROW AGREEMENT

This ESCROW AGREEMENT (the “Escrow Agreement”), dated as of January 1, 2015, by and between the SACRAMENTO CITY UNIFIED SCHOOL DISTRICT (the “District”), a school district duly organized and existing under the Constitution and laws of the State of California, and Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”), a national banking corporation duly organized and existing under the laws of the United States of America, being qualified to accept and administer the trust hereby created, executed and delivered by the District pursuant to Resolution No. 2815 adopted by the Board of Education of the District on December [4], 2014 (the “Resolution”).

WITNESSETH:

WHEREAS, Wells Fargo Bank, National Association, acting as paying agent (the “Paying Agent”) under that certain Paying Agent Agreement, dated as of January 1, 2015, by and between the District and the Paying Agent (herein called the “Paying Agent Agreement”), and pursuant to the Resolution, duly authenticated and delivered \$[PAR] aggregate principal amount of the Sacramento City Unified School District 2015 General Obligation Refunding Bonds (herein called the “Refunding Bonds”), for the purpose, among others, of providing funds for the redemption of a portion of the outstanding bonds of the District issued as the Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005 (the “2005 Bonds”) and the Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2007 (the “2007 Bonds” and, together with the 2005 Bonds, the “Refunded Bonds”);

WHEREAS, the refunded portion of said Refunded Bonds, as identified in Schedule II attached hereto, is herein collectively called the “Prior Bonds”;

WHEREAS, the Prior Bonds will be redeemed pursuant to the terms thereof and pursuant to resolutions of the Board of Education of the District, adopted on June 16, 2005 and October 4, 2007, respectively, and the Board of Supervisors of the County of Sacramento, adopted on June 21, 2005 and October 16, 2007, respectively (together the “Prior Resolution”), pursuant to which such bonds were issued;

WHEREAS, Wells Fargo Bank, National Association, is acting hereunder as Escrow Agent with respect to the Prior Bonds, and in such capacity is herein referred to as the “Escrow Agent”;

WHEREAS, the Paying Agent Agreement provides for the deposit in the Escrow Fund (established pursuant to Section 1 hereof) of certain of the proceeds of the Refunding Bonds and other moneys;

NOW, THEREFORE, the District and the Escrow Agent hereby agree as follows:

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Paying Agent Agreement.

Section 1. Establishment and Maintenance of Escrow Fund; Deposit. The Escrow Agent hereby agrees to establish and maintain a fund until all of the Prior Bonds have been paid as provided herein, designated as the “Escrow Fund,” and to hold the securities, investments and moneys therein at all times as a special fund and separate trust account. All securities, investments and moneys in the Escrow Fund are hereby irrevocably pledged, subject to the provisions of Section 2 and Section 6 hereof, to secure the payment of the Prior Bonds.

On the date of delivery of the Refunding Bonds, the Escrow Agent shall deposit the sum of \$_____ in the Escrow Fund, consisting of the amounts received by the Paying Agent from the Underwriter, representing certain proceeds of the sale of the Refunding Bonds. The Escrow Agent, by execution of this Agreement, acknowledges receipt of the foregoing amounts.

Section 2. Investment of Money in the Escrow Fund.

The Escrow Agent shall apply \$_____ toward the purchase of the noncallable Escrow Securities listed in Schedule I and shall hold \$_____ in cash, and shall apply such cash and such securities as they mature as provided in Section 3 hereof. Except as set forth below, the Escrow Agent shall not reinvest any cash portion of the Escrow Fund; provided, however, that after obtaining an unqualified legal opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the tax-exempt status of interest on the Refunding Bonds under Section 103 of the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder, and will not result in the breach of any covenant of the District contained in the Indenture or the Paying Agent Agreement, the Escrow Agent may reinvest, at the written direction of the District, any cash portion of the Escrow Fund in escrow securities. Any such reinvestment shall be made in Escrow Securities the principal of and interest on which are payable at such times and in such amounts as will be sufficient (together with the other securities, investments and moneys in the Escrow Fund) to pay the Prior Bonds in accordance with Section 3 and consistent with the then-currently applicable report of a certified public accountant licensed to practice in the State of California, delivered with respect to the Escrow Fund. The Escrow Agent shall not be liable or responsible for any loss resulting from any investment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

Section 3. Payment and Redemption of Prior Bonds. The District hereby irrevocably directs the Escrow Agent, and the Escrow Agent hereby agrees, to collect and deposit in the Escrow Fund the principal of and interest on all Escrow Securities held for the account of the Escrow Fund promptly as such principal and interest become due, and to apply such principal and interest, together with other moneys and the principal of and interest on other securities deposited in the Escrow Fund to Wells Fargo Bank, as the Prior Bond Paying Agent, for the payment of the principal and redemption premiums of the Prior Bonds on that date, pursuant to the Prior Resolution. Upon retirement or redemption or prepayment of all of the Prior Bonds, the Escrow Agent shall transfer any moneys or securities remaining in the Escrow Fund, to the extent not required for any fees or expenses of the Escrow Agent, to the Interest and Sinking Fund of the District (held by the Director of Finance of the County of Sacramento), for payment of the Refunding Bonds or any other bonds of the District payable from said fund.

The maturity schedule of the Prior Bonds is set forth in Schedule II.

Section 4. Notice of Redemption. The District hereby irrevocably directs the Escrow Agent, and the Escrow Agent agrees, to give the required notice of the redemption and payment of the 2005 Bonds callable on July 1, 2015 and the 2007 Bonds callable on July 1, 2017, in the time, form and manner specified by the Prior Resolution and any Continuing Disclosure Certificate relating to the Refunded Bonds.

On May 1, 2015, at the direction of the District, the Escrow Agent will prepare and submit the notice for all of the 2005 Bonds callable on July 1, 2015.

On May 1, 2017, at the direction of the District, the Escrow Agent will prepare and submit the notice for all of the 2007 Bonds callable on July 1, 2017.

Section 5. Unclaimed Moneys. Any moneys held by the Escrow Agent in trust for the payment and discharge of the Prior Bonds which remain unclaimed for two years after the date when such Prior Bonds are to have been retired or redeemed in accordance with Section 3 shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Section 6. Substitution of Securities. Upon the written request of the District, subject to the conditions and limitations hereinafter set forth and applicable laws and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Escrow Securities in the Escrow Fund, if there are substituted therefor, from the proceeds of such securities, other Escrow Securities as hereinafter provided. The District will not exercise any powers which would have the effect of causing any of the Refunding Bonds to be "arbitrage bonds" as defined in Section 148 of the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder. The Escrow Agent shall dispose of the securities in the Escrow Fund and purchase substitute Escrow Securities only upon receipt of:

(i) a written report of a certified public accountant, licensed to practice in the State of California, to the effect that the substitute Escrow Securities will mature in such principal amounts and earn interest in such amounts and at such times so that sufficient moneys will be available to pay, as the same become due, to and including the date set forth in Section 3, all principal, premium, if any, and interest on the Prior Bonds; and

(ii) an unqualified legal opinion of nationally recognized bond counsel to the effect that such disposition of the securities in the Escrow Fund and purchase of substitute Escrow Securities will not adversely affect the tax-exempt status of interest on the Refunding Bonds under Section 103 of the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder.

Section 7. Fees and Expenses of Escrow Agent. The District, by this Escrow Agreement, agrees to pay amounts equal to the reasonable fees and expenses (including, without

limitation, legal fees and expenses) of the Escrow Agent incurred as a result of this Escrow Agreement and the acceptance thereof by the Escrow Agent; provided, however, that in no event shall such fees or expenses incurred by the Escrow Agent be deducted from, or constitute a lien against, the Escrow Fund until the retirement or redemption of the Prior Bonds pursuant to Section 3 hereof.

Section 8. Liabilities and Obligations of Escrow Agent. (a) The Escrow Agent shall have no obligation to make any payments or disbursement of any type or incur any financial liability in the performance of its duties under this Escrow Agreement unless the District shall have deposited sufficient funds therefor with the Escrow Agent. The Escrow Agent may rely and shall be protected in acting upon the written instructions of the District and its officers and agents relating to any matter or action as Escrow Agent under this Escrow Agreement.

(b) The District covenants to indemnify and hold harmless the Escrow Agent against any loss, liability, claim, cost, suit, judgment or expense, including legal fees and expenses, incurred in connection with the performance of any of its duties hereunder, except the Escrow Agent shall not be indemnified against any loss, liability, claim, cost, suit, judgment or expense resulting from its negligence or willful misconduct.

(c) The Escrow Agent may consult with counsel of its own choice (which may be counsel to the District) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

(d) The recitals contained herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for their correctness.

(e) The Escrow Agent shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or Escrow Securities deposited with it to pay the principal, interest or premiums, if any, on the Prior Bonds.

(f) The Escrow Agent shall not be liable for any action or omission of the District under this Escrow Agreement, the Indenture, or the Paying Agent Agreement.

(g) Whenever in the administration of this Escrow Agreement the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of an authorized representative of the District, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of this Escrow Agreement upon the faith thereof.

(h) The Escrow Agent may conclusively rely, as to the truth or accuracy of the statements and correctness of the opinions and calculations provided, and shall be protected and indemnified, in acting, or refraining from acting, upon any written notice (including notice given by electronic means), instruction, request, certificate, document or opinion furnished to the Escrow Agent signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

(i) The Escrow Agent may at any time resign by giving written notice to the District of such resignation. The District shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective only upon acceptance of appointment by a successor Escrow Agent. If the District does not appoint a successor, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe, and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the District may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the District appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the District shall immediately and without further act be replaced by the successor Escrow Agent so appointed.

(j) The Escrow Agent undertakes to perform such duties and only such duties as are specifically set forth in this Escrow Agreement, and no implied covenants or obligations shall be read into this Escrow Agreement against the Escrow Agent. Neither the Escrow Agent nor any of its officers, directors, employees or agents shall be liable for any action taken or omitted under this Escrow Agreement or in connection herewith except to the extent caused by the Escrow Agent's negligence or willful misconduct, as determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

Section 9. Merger or Consolidation. Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate

trust business shall be the successor to such Escrow Agent, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 10. Amendment. This Escrow Agreement may not be revoked or amended by the parties hereto unless there shall first have been filed with the District and the Escrow Agent (i) a written opinion of nationally recognized bond counsel stating that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest evidenced by the Prior Bonds or the Refunding Bonds, and (ii) unless such amendment is not materially adverse to the interests of the registered owners of the Prior Bonds, as evidenced by an opinion of counsel, the written consent of all the registered owners of the Prior Bonds then outstanding.

Section 11. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given if received or sent by first class mail, as follows. Any written instruction given hereunder may be given by fax or other electronic means.

If to the District:

Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824
Attention: Chief Business Officer

If to the Escrow Agent:

Wells Fargo Bank, National Association
MAC N9311-115
625 Marquette Avenue, 11th Floor
Minneapolis, MN 55479
Attn: Corporate Trust Services

Section 12. Severability. If any section, paragraph, sentence, clause or provision of this Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Escrow Agreement.

Section 13. Governing Law. This Escrow Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 14. Execution. This Escrow Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the District and the Escrow Agent have caused this Escrow Agreement (relating to the Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005 and the Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2007), to be executed each on its behalf as of the day and year first above written.

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

Authorized District Representative

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Escrow Agent

By _____
Authorized Officer

SCHEDULE I

ESCROW SECURITIES

1. CASH in the amount of \$____.
2. Securities as shown in the schedule below.

[See Verification Report Pages ____ and ____]

SCHEDULE II

SCHEDULE OF BONDS TO BE DEFEASED

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”), dated as of _____, 2015, is executed and delivered by the Sacramento City Unified School District (the “District”) in connection with the issuance of \$[PAR] aggregate principal amount of Sacramento City Unified School District 2015 General Obligation Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution (the “Resolution”) adopted by the Board of Education of the District on _____, 2014, and in accordance with the terms of a Paying Agent Agreement, dated as of January 1, 2015 (the “Paying Agent Agreement”), by and between the District and Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

“Participating Underwriter” shall mean Stifel Nicolaus & Company, Inc., or the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District’s fiscal year (presently June 30), which date is April 1, commencing with the Annual Report for the fiscal year of the District ending June 30, 2014, provide to the Participating Underwriter and to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Paying Agent nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

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

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

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

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

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

(c) To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

1. The Average Daily Attendance for the last completed fiscal year for the District.
2. The most recent Interim Financial Report submitted to the District's governing board in accordance with Education Code Section 42130 (or its successor statutory provision) together with any supporting materials submitted to the governing board.
3. Assessed Value of taxable property within the District for the current fiscal year.
4. Annual payment schedule for any Outstanding borrowings or long-term obligations for which the District's general fund is the source of repayment, including
 - (i) lease revenue bonds, certificates of participation, capital leases and operating leases;
 - (ii) a description of any obligations of the type referred to in (i) above that have been issued, entered into or incurred since the beginning of the District's current fiscal year; and
 - (iii) a description of any obligations of the type referred to in (i) above that the District reasonably expects to issue, enter into or incur within the 60 day period following the date of filing of the Annual Report.
5. Information regarding the Secured Tax Charge and Delinquency for the prior year.
6. Information regarding the Twenty Largest Secured Taxpayers in the District for the prior year.
7. Information regarding the *ad valorem* Tax Rate for Tax Rate Area 3-005 for the prior year.
8. Update of the section "NO LITIGATION" in the Official Statement.

(d) In addition to any of the information expressly required to be provided under subsections (a), (b) and (c) of this Section, the District shall provide such further

information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which there are made, not misleading.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB through the EMMA website. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

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

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of

reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

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

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

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

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

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of

dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in Superior Court of the State of California in and for the County of Sacramento or in U.S. District Court in or nearest to the County. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance, provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Sacramento or in U.S. District Court in or nearest to the County.

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

SECTION 12. Governing Law. This Disclosure Certificate is made in the State of California and is to be construed under the Constitution and laws of each State.

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

Date: _____, 2015

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By _____
Superintendent

CONTINUING DISCLOSURE EXHIBIT A

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

Name of Issuer: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

Name of Bond Issue: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2015 GENERAL OBLIGATION REFUNDING BONDS

Date of Issuance: _____, 2015

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

Dated: _____

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By _____ [to be signed only if filed]