



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 11.1j

Meeting Date: October 17, 2019

Subject: Approve the Updated Form of a Preliminary Official Statement in Connection with the Sacramento City Unified School District's General Obligation Bonds, Election of 2012 (Measure R), 2019 Series D

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

Division: Business Services

Recommendation: Approve the updated form of a Preliminary Official Statement as described herein.

Background/Rationale: On August 15, 2019, the Board of Education authorized the issuance of approximately \$30.9 million General Obligation Bonds Election of 2012 (Measure R), 2019 Series D to fund the Central Kitchen Project.

The Preliminary Official Statement ("POS") is the offering document describing the above bonds. The POS will be distributed to prospective purchasers of the bonds. A core requirement of federal securities laws is that potential investors be provided with all "material" information relating to the bonds. The POS must not contain any material misstatements, and the District must not omit material information that would be necessary to provide investors with a complete and transparent description of the bonds and the District's financial condition.

District staff has worked with Bond Counsel, the Underwriter and Underwriter's Counsel, and Municipal Advisor to prepare, review and comment on the POS. District staff is bringing the updated POS back to the Board of Education to provide an opportunity to review and provide any comments or suggestions to District staff for revisions.

Financial Considerations: There is no fiscal impact to the General Fund from the issuance of Bonds or approval of the POS.

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

Documents Attached:

1. Preliminary Official Statement

<p>Estimated Time of Presentation: N/A Submitted by: Rose Ramos, Chief Business Officer Approved by: Jorge Aguilar, Superintendent</p>

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 23, 2019**NEW ISSUES – BOOK-ENTRY ONLY**

RATING: Moody's: "[__]"
(See "MISCELLANEOUS – Rating.")

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. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. 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."



\$[Series 2019 Par]*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
 (County of Sacramento, State of California)
GENERAL OBLIGATION BONDS,
ELECTION OF 2012 (MEASURE R), 2019 SERIES D

Dated: Date of Delivery**Due: 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 General Obligation Bonds, Election of 2012 (Measure R), 2019 Series D (the "**Bonds**") are being issued by the Sacramento City Unified School District (the "**District**") located in the County of Sacramento (the "**County**") and sold by the County on behalf of the District, pursuant to a resolution adopted by the Board of Supervisors of the County on October 8, 2019, a resolution adopted by the Board of Education of the District on August 15, 2019, and a Paying Agent Agreement, dated as of [November] 1, 2019, by and between the District and the County, as Paying Agent thereunder (the "**Paying Agent**"), for the purpose of providing funds to (i) finance specific construction, acquisition and modernization projects approved by the voters (as described herein), and (ii) pay the costs of issuance of the Bonds. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The Bonds will be issued as current interest bonds. Interest on the Bonds is payable commencing on [February 1, 2020], and on each August 1 and February 1 thereafter to maturity or redemption prior thereto. Principal of the Bonds is payable in each of the years and in the amounts set forth in the Maturity Schedules on the inside cover of this Official Statement. Payments of principal of and interest on the Bonds will be made by the Paying Agent to The Depository Trust Company, New York, New York ("**DTC**"), for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – Payment of Principal and Interest" and APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

The Bonds will be issued in denominations of \$5,000 principal amount, or any integral multiple thereof as shown on the inside front cover hereof.

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."

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

MATURITY SCHEDULES

See Inside Cover

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to approval of their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and by Lozano Smith, as District Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver Colorado. 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 _____, 2019.

[Stifel Logo]

This Official Statement is dated _____, 2019.

* Preliminary, subject to change.

MATURITY SCHEDULES

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)**

**[\$[Series 2019 Par]*
GENERAL OBLIGATION BONDS,
ELECTION OF 2012 (MEASURE R), 2019 SERIES D**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield[†]</u>	<u>CUSIP[‡] No. (785870)</u>
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\$ _____ % Term Bonds due August 1, 20__ Yield[†] _____% CUSIP No.[‡] 785870 _____

* Preliminary, subject to change.

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

[‡] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

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

BOARD OF EDUCATION

Jessie Ryan, *President*
Darrel Woo, *First Vice President*
Michael Minnick, *Second Vice President*
Leticia Garcia, *Member*
Lisa Murawski, *Member*
Christina Pritchett, *Member*
Mai Vang, *Member*
Olivia Ang-Olson, *Student Member*

DISTRICT ADMINISTRATION

Jorge A. Aguilar, *Superintendent*
Lisa Allen, *Deputy Superintendent*
Rose Ramos, *Chief Business Officer*
Cathy Allen, *Chief Operations Officer, Facilities Support Services*
Iris Taylor, Ed.D., *Chief Academic Officer*
Alex Barrios, *Chief Communications Officer*
Elliot Lopez, *Chief Information Officer*
Cancy McArn, *Chief Human Resource Officer*
Vincent Harris, *Chief Continuous Improvement & Accountability Officer*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

District's General Counsel

Lozano Smith
Sacramento, California

Underwriter's Counsel

Kutak Rock LLP
Denver, Colorado

Municipal Advisor

Capitol Public Finance Group, LLC
Roseville, California

Paying Agent

Sacramento County Director of Finance
Sacramento, California

Paying Agent

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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

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

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

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

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

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§[SERIES 2019 PAR]*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
GENERAL OBLIGATION BONDS,
ELECTION OF 2012 (MEASURE R), 2019 SERIES D

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover and appendices hereto (the “**Official Statement**”), is provided to furnish information in connection with the Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2019 Series D (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.”

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

Quotations from and summaries and explanations of the Bonds, paying agent agreement for the Bonds, dated as of [November] 1, 2019 (the “**Paying Agent Agreement**”), by and between the District and the County of Sacramento (the “**Paying Agent**”), providing for the issuance of the Bonds, and the California Constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, California Constitutional provisions and statutes for the complete provisions thereof.

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

The District

The District, located in Sacramento County, California (the “**County**”), is the 13th largest school district in the State of California (the “**State**”) as measured by student enrollment. The District provides educational services to the residents in and around the City of Sacramento (the “**City**”), the State capital, serving a residential population of approximately 350,000 persons. The District operates under the jurisdiction of the Superintendent of Schools of the County. See “THE BONDS – Authority for Issuance; Purpose” herein. The District’s average daily attendance for fiscal year 2019-20 is budgeted at 38,417 students and the District’s 2019-20 general fund expenditures are projected at approximately \$533.0 million.

The District operates 42 elementary schools for grades K-6, seven K-8 schools, six middle schools for grades 7-8, two 7-12 schools, seven comprehensive high schools for grades 9-12, three alternative education centers, two special education centers, two adult education centers, 15 charter schools (including five dependent charter schools) and 33 children’s centers/preschools serving infants through age 12. The District’s estimated enrollment for fiscal year 2019-20, including charter schools in the District, is approximately 40,235 students. For fiscal year 2019-20, the District budgets to employ approximately 3,671.9 full time equivalent employees, which includes 2,187.7 certificated (credentialed teaching) employees, 1,219.9 FTE classified (noninstructional) employees, and 264.3 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,

* Preliminary, subject to change.

alternating between three and four available positions. Beginning in 2008, Board member elections are held among voters who reside in each of seven trustee areas. See APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET.”

The day-to-day operations are managed by a Board-appointed Superintendent of Schools. Jorge A. Aguilar was appointed Superintendent of the District on July 1, 2017. Prior to serving as Superintendent, Mr. Aguilar was the Associate Superintendent for Equity and Access at Fresno Unified School District. In his career, Superintendent Aguilar has also served as an Associate Vice Chancellor for Educational and Community Partnerships and Special Assistant to the Chancellor at the University of California, Merced; as a Spanish teacher at South Gate High School; and a legislative fellow in the State Capitol. Mr. Aguilar has over 20 years of experience in the field of K-12 and higher education and holds a Bachelor of Arts from the University of California, Berkeley, and a Juris Doctor degree from Loyola Law School.

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

THE BONDS

Authority for Issuance; Purpose

The Bonds are being issued by the District and sold by the County on behalf of the District pursuant to the Constitution and laws of the State, including Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the “**Government Code**”) and Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the Education Code of the State (the “**Education Code**”) and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on October 8, 2019 (the “**County Resolution**”), at the request of the District by its resolution, adopted by the Board of Education of the District on August 15, 2019 (the “**District Resolution**”). The Bonds are issued pursuant to that certain paying agent agreement, dated as of [November] 1, 2019, by and between the District and the County (the “**Paying Agent Agreement**”).

The Bonds were authorized to be issued at an election held on November 6, 2012, by 55% or more of the votes cast by eligible voters within the District for a bond measure known locally as “Measure R.” Measure R authorizes the District to issue bonds in an aggregate principal amount not to exceed \$68,000,000 to improve the health and safety of children, repair playgrounds and playfields to meet modern safety standards, improve physical education facilities and bathrooms, improve irrigation systems and water drainage to reduce water consumption, remove asbestos, lead paint and other unsafe conditions and to upgrade kitchen facilities to improve nutrition and nutritional education for children. The Bonds are the fourth series to be issued pursuant to the Measure R authorization. After the issuance of the Bonds, none* will remain to be issued by the District pursuant to the Measure R authorization.

As required by the Education Code of the State and the Measure R authorization, the District established a Citizens’ Oversight Committee to review the District’s expenditure of bond proceeds and its progress in completing the projects specified in the measure, and to make periodic reports to the public in order to ensure that bond funds are spent only for authorized purposes.

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

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

* Preliminary, subject to change.

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.”

Payment of Principal and Interest

The Bonds will be dated the date of their delivery and bear interest at the rates set forth on the inside cover page hereof, payable on February 1 and August 1 of each year, commencing on [February 1, 2020] (each, an “**Interest Payment Date**”), until payment of the principal amount thereof, computed using a year of 360 days consisting of twelve 30-day months. Bonds authenticated and registered on any date prior to the close of business on [January 15, 2020], will bear interest from the date of their delivery. Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date (the “**Record Date**”) and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

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

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

Redemption*

Optional Redemption of Bonds. The Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their respective stated maturity dates. The Bonds maturing on and after August 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after August 1, 20__. The Bonds will be redeemed at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

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

* Preliminary, subject to change.

Mandatory Sinking Fund
Redemption Date
(August 1)

Principal Amount
to Be Redeemed

\$

*Maturity.

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

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

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

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

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

Effect of Notice of Redemption. When notice of redemption has been given substantially as provided for in the Paying Agent Agreement, and when the redemption price of the Bonds called for redemption is set aside for the purpose as described in the Paying Agent Agreement, the Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The owners of such Bonds called for redemption after such redemption date will look for the payment of such Bonds and the redemption premium

thereon, if any, only to moneys on deposit for such purpose in the Interest and Sinking Fund of the District or the escrow fund established for such purpose. All Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

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

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

Defeasance of Bonds

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

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

Unclaimed Moneys

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

Application and Investment of Bond Proceeds

The proceeds from the sale of the Bonds, exclusive of any premium and accrued interest received, if any, will be deposited in the County treasury to the credit of the building fund of the District (the "**Building Fund**"). Any premium or accrued interest received will be deposited in the Interest and Sinking Fund in the County treasury. Earnings on the investment of moneys in either fund will be retained in that fund and used only for the purposes to

which that fund may lawfully be applied. Moneys in the Building Fund may only be applied for the purposes for which the Bonds were approved. Moneys in the Interest and Sinking Fund may only be applied to make payments of interest, principal, and premium, if any, on bonds of the District.

All funds held by the Director of Finance under the District Resolution, the County Resolution and the Paying Agent Agreement will be invested in the Director of Finance's investment pool, the State Treasurer's Local Agency Investment Fund, or any investment authorized pursuant to Sections 53601 and 53635 of the Government Code, all pursuant to law and the investment policy of the County. At the written direction of the District, all or any portion of the Building Fund may be invested in the Local Agency Investment Fund in the treasury of the State, and all or any portion of the Building Fund may be invested on behalf of the District in investment agreements, including guaranteed investment contracts, which comply with the requirements of Section 148 of the Internal Revenue Code of 1986 (the "Code") and the requirements of each rating agency then rating the Bonds (if any) necessary to maintain the then-current rating on the Bonds. For information on the County's investment policy, see APPENDIX F – "COUNTY OF SACRAMENTO INVESTMENT POLICY AND INVESTMENT REPORT."

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ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	<u>The Bonds</u>
Principal Amount of Bonds	
[Net] Original Issue Premium	
Total Sources:	<hr/>
Uses of Funds	
Deposit to Building Fund	
Deposit to Interest and Sinking Fund	
Underwriter's Discount	
Costs of Issuance ⁽¹⁾	
Total Uses:	<hr/>

⁽¹⁾ Includes fees of bond counsel, disclosure counsel, the rating agency, the paying agent, the municipal advisor, the costs of issuance custodian, printer and other miscellaneous expenses.

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SCHEDULED DEBT SERVICE

Semi-Annual Debt Service of the Bonds

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

<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Semi-Annual Debt Service</u>
2/1/2020			
8/1/2020			
2/1/2021			
8/1/2021			
2/1/2022			
8/1/2022			
2/1/2023			
8/1/2023			
2/1/2024			
8/1/2024			
2/1/2025			
8/1/2025			
2/1/2026			
8/1/2026			
2/1/2027			
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2/1/2028			
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8/1/2031			
2/1/2032			
8/1/2032			
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8/1/2034			
2/1/2035			
8/1/2035			
2/1/2036			
8/1/2036			
2/1/2037			
8/1/2037			
2/1/2038			
8/1/2038			
2/1/2039			
8/1/2039			
2/1/2040			
8/1/2040			
Total	_____	_____	_____

Combined Debt Service

The District has previously issued its General Obligation Bonds, Election of 2002, Series 2007; its General Obligation Bonds (Measures Q and R), (Election of 2012), 2013 Series A (Tax-Exempt); its General Obligation Bonds (Measures Q and R), (Election of 2012), 2013 Series B (Qualified School Construction Bonds) (Taxable); its General Obligation Bonds (Measure Q), (Election of 2012), 2015 Series C-1 (Tax-Exempt); its General Obligation Bonds (Measure Q), (Election of 2012), 2015 Series C-2 (Taxable); its General Obligation Bonds, Election of 2012 (Measure Q), 2016 Series D; its General Obligation Bonds, Election of 2012 (Measure Q), 2017 Series E; its General Obligation Bonds, Election of 2012 (Measure R), 2017 Series C; and its General Obligation Bonds, Election of 2012 (Measure Q), 2018 Series F (Bank Qualified). In addition, refunding bonds were issued in 2011, 2012, 2014 and 2015 which were used to refinance or redeem certain prior outstanding bonds. See APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – THE DISTRICT – District Debt Structure.” Annual debt service obligations for all outstanding bonds of the District (without regard to optional redemption prior to maturity) will be as follows:

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

Period Ending⁽¹⁾	General Obligation Bonds Election of 2002, Series 2007⁽²⁾	General Obligation Bonds (Measures Q and R) Election of 2012, 2013 Series A⁽³⁾⁽⁴⁾	General Obligation Bonds (Measures Q and R) Election of 2012, 2013 Series B⁽³⁾⁽⁵⁾	2011 General Obligation Refunding Bonds⁽²⁾	2012 General Obligation Refunding Bonds⁽²⁾	2014 General Obligation Refunding Bonds⁽²⁾	2015 General Obligation Refunding Bonds⁽²⁾	General Obligation Bonds (Measure Q) Election of 2012, 2015 Series C⁽³⁾	General Obligation Bonds Election of 2012 (Measure Q), 2016 Series D⁽³⁾
2020									
2021									
2022									
2023									
2024									
2025									
2026									
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
2038									
2039									
2040									
2041									
2042									
2043									
2044									
2045									
2046									
2047									
Totals ⁽⁶⁾									

⁽¹⁾ July 1, except as otherwise noted.

⁽²⁾ January 1 and July 1 payments.

⁽³⁾ February 1 and August 1 payments.

⁽⁴⁾ Debt service shown for periods ending August 1, 2020-2037, and July 1, 2038.

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

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

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

Period Ending⁽¹⁾	General Obligation Bonds Election of 2012 (Measure Q), 2017 Series E	General Obligation Bonds Election of 2012 (Measure R), 2017 Series C	General Obligation Bonds Election of 2012 (Measure Q), 2018 Series F	The Bonds	Total Annual Debt Service⁽³⁾
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
Totals⁽²⁾					

⁽¹⁾ July 1, except as otherwise noted.

⁽²⁾ Columns may not sum to totals due to rounding.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

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

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

Pledge of Tax Revenues

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

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

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the Bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

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.

As mandated by law, the Director of Finance has sole responsibility for the levy and collection of the tax imposed to pay the principal of and interest on the District's bonds. Pursuant to State law, the proceeds of the tax levy are never in the custody of the District or available for any other purpose, and are at all times segregated from the operating revenues of the District. The District has no role in the process of taxation and payment of the District's bonds. Although the District may have legal authority to supplement the payments on its bonds by transferring operating revenues to the Interest and Sinking Fund administered by the Director of Finance, there is no statutory obligation that the District uses its operating revenues to pay its bonds in this way. It should not be inferred that the principal of or interest on the Bonds is payable from the District's general fund or from State revenues.

Assessed Valuation of Property Within the District

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. 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 (the "**Board of Equalization**").

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. See "*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

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

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

The following table shows the recent history of taxable assessed valuation of the various classes of property in the District.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuation
Fiscal Years 2010-11 through 2019-20

Fiscal Year	Local Secured ⁽¹⁾⁽²⁾	Unsecured ⁽¹⁾	Total Valuation	Annual % Change
2010-11	\$25,005,170,720	\$1,379,440,206	\$26,384,610,926	-
2011-12	24,367,435,850	1,381,399,468	25,748,835,318	(2.41)%
2012-13	24,088,535,893	1,312,707,722	25,401,243,615	(1.35)
2013-14	25,070,853,698	1,240,891,839	26,311,745,537	3.58
2014-15	26,215,882,626	1,279,564,924	27,495,447,550	4.50
2015-16	27,627,053,568	1,188,321,120	28,815,374,688	4.80
2016-17	29,448,310,116	1,271,280,326	30,719,590,442	6.61
2017-18	31,630,780,391	1,332,650,184	32,963,430,575	7.30
2018-19	33,926,629,549	1,444,875,017	35,371,504,566	7.31
2019-20	36,764,643,370	1,403,666,196	38,168,309,566	7.91

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

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

Source: California Municipal Statistics, Inc.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructures the functions of the State Board of Equalization and creates two new agencies: (a) the California Department of Tax and Fee Administration (the “Tax Administration Department”) and (b) the Office of Tax Appeals. Under AB 102, the Tax Administration Department will take over programs previously in the State Board of Equalization’s Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the State Board of Equalization will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the State Board of Equalization only hears appeals related to the programs that it constitutionally administers and the Office of Tax Appeals hears appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Offices of Tax Appeals to adopt regulations as necessary to carry out its duties, powers and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

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

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base

year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in November 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then-current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "**Appeals Board**"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then-current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

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

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

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

population growth in recent years. In April 2017, the Governor of the State lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. It is not possible for the District to make any representation regarding the extent to which these drought conditions could cause reduced economic activity within the boundaries of the District or the extent to which the drought has had or may have in the future on the value of taxable property within the District.

Wildfire. In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Property damage due to wildfire could result in a decrease in the assessed value of property in the District. No recent wildfires have affected the District or the assessed valuation of properties within the District.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.5% of the assessed valuation of taxable property within its boundaries. Based on the fiscal year 2019-20 assessment roll, the District’s gross bonding capacity is approximately \$954.2 million, and its net bonding capacity is approximately \$507 million (taking into account current outstanding debt before issuance of the Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District’s bonding capacity.

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2019-20 Assessed Valuation by Jurisdiction**

<u>Jurisdiction:</u>	Assessed Valuation <u>in District</u>	% of <u>District</u>	Assessed Valuation <u>of Jurisdiction</u>	% of Jurisdiction <u>in District</u>
City of Elk Grove	\$ 59,778,187	0.16%	\$21,272,312,082	0.28%
City of Rancho Cordova	917,994,183	2.41	9,273,255,976	9.90
City of Sacramento	32,421,073,223	84.94	55,003,727,641	58.94
Unincorporated Sacramento County	<u>4,769,463,973</u>	<u>12.50</u>	61,727,985,726	7.73
Total District	\$38,168,309,566	100.00%		
Sacramento County	\$38,168,309,566	100.00%	\$171,650,577,091	22.24%

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Land Use. The following table provides a distribution of taxable property located in the District by principal purpose for which the land is used, showing the assessed valuation and number of parcels for each use. Single family residential properties comprise 54.9% of the assessed value of property located in the District.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2019-20 Taxable Assessed Valuation and Parcels by Land Use**

	2019-20 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Agricultural	\$ 222,111	0.00%	8	0.01%
Commercial/Office	7,257,646,703	19.74	2,895	2.80
Vacant Commercial	177,679,132	0.48	561	0.54
Industrial	1,763,585,305	4.80	1,301	1.26
Vacant Industrial	58,867,511	0.16	388	0.37
Recreational	485,701,762	1.32	122	0.12
Government/Social/Institutional	222,530,123	0.61	940	0.91
Miscellaneous	<u>2,156,012</u>	<u>0.01</u>	<u>222</u>	<u>0.21</u>
Subtotal Non-Residential	\$9,968,388,659	27.12%	6,437	6.22%
Residential:				
Single Family Residence	\$20,196,864,365	54.94%	83,831	80.96%
Condominium/Townhouse	518,540,665	1.41	2,153	2.08
Mobile Home	34,862,955	0.09	1,476	1.43
Mobile Home Park	51,870,531	0.14	32	0.03
2-4 Residential Units	1,884,271,467	5.13	6,558	6.33
5+ Residential Units/Apartments	3,216,091,942	8.75	1,614	1.56
Hotel/Motel	627,192,687	1.71	69	0.07
Miscellaneous Residential	52,196,320	0.14	135	0.13
Vacant Residential	<u>209,028,900</u>	<u>0.57</u>	<u>1,245</u>	<u>1.20</u>
Subtotal Residential	\$26,790,919,832	72.88%	97,113	93.78%
Total	\$36,759,308,491	100.00%	103,550	100.00%

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

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Assessed Valuation of Single Family Homes. The following table provides a distribution of the per-parcel secured assessed value of single family homes. For fiscal year 2019-20, the average assessed value of single family homes is \$240,924 and the median assessed value of single family homes is \$197,676.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Per Parcel 2019-20 Assessed Valuation of Single Family Homes**

Single Family Residential	No. of <u>Parcels</u>	2019-20 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
	83,831	\$20,196,864,365	\$240,924	\$197,676

<u>2019-20 Assessed Valuation</u>	No. of <u>Parcels⁽¹⁾</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$24,999	457	0.545%	0.545%	\$ 7,932,358	0.039%	0.039%
\$25,000 - \$49,999	3,856	4.600	5.145	155,820,665	0.772	0.811
\$50,000 - \$74,999	5,993	7.149	12.294	376,156,517	1.862	2.673
\$75,000 - \$99,999	7,038	8.395	20.689	615,597,042	3.048	5.721
\$100,000 - \$124,999	6,580	7.849	28.538	739,607,776	3.662	9.383
\$125,000 - \$149,999	6,459	7.705	36.243	887,167,082	4.393	13.776
\$150,000 - \$174,999	6,352	7.577	43.820	1,030,774,332	5.104	18.879
\$175,000 - \$199,999	5,663	6.755	50.576	1,060,784,654	5.252	24.132
\$200,000 - \$224,999	5,357	6.390	56.966	1,137,097,674	5.630	29.762
\$225,000 - \$249,999	5,310	6.334	63.300	1,260,780,841	6.242	36.004
\$250,000 - \$274,999	4,288	5.115	68.415	1,123,514,967	5.563	41.567
\$275,000 - \$299,999	3,623	4.322	72.737	1,039,609,226	5.147	46.714
\$300,000 - \$324,999	3,285	3.919	76.655	1,025,162,390	5.076	51.790
\$325,000 - \$349,999	2,649	3.160	79.815	893,136,365	4.422	56.212
\$350,000 - \$374,999	2,383	2.843	82.658	861,900,868	4.267	60.480
\$375,000 - \$399,999	2,044	2.438	85.096	791,755,240	3.920	64.400
\$400,000 - \$424,999	1,838	2.193	87.289	757,549,854	3.751	68.151
\$425,000 - \$449,999	1,583	1.888	89.177	691,565,188	3.424	71.575
\$450,000 - \$474,999	1,309	1.561	90.739	604,878,897	2.995	74.570
\$475,000 - \$499,999	1,146	1.367	92.106	558,577,674	2.766	77.336
\$500,000 and greater	<u>6,618</u>	<u>7.894</u>	100.000	<u>4,577,494,755</u>	<u>22.664</u>	100.000
Total	83,831	100.000%		\$20,196,864,365	100.000%	

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

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Largest Taxpayers

The 20 largest taxpayers in the District are shown below, ranked by aggregate secured assessed value of taxable property in fiscal year 2019-20.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT Largest Local Secured Taxpayers 2019-20

	<u>Property Owner</u>	<u>Primary Land Use</u>	2019-20 <u>Assessed Valuation</u>	% of <u>Total⁽¹⁾</u>
1.	City of Sacramento & The Sacramento Kings	Sports Arena	\$ 403,605,209	1.10%
2.	M&H Realty Partners VI LP	Commercial	247,955,601	0.67
3.	SG Downtown LLC	Hotel/Commercial	200,212,552	0.54
4.	Pac West Office Equities LP	Office Building	191,528,346	0.52
5.	400 Capitol Mall Owner LP	Office Building	182,725,452	0.50
6.	SRI Eleven 621 Capitol Mall LLC	Office Building	164,220,000	0.45
7.	500 Capitol Mall LLC	Office Building	144,555,309	0.39
8.	BRE Depot PK LLC	Industrial	126,158,249	0.34
9.	GV & HI PK Tower Owner LLC	Office Building	125,368,200	0.34
10.	300 Capitol Associates NF LP	Office Building	117,700,000	0.32
11.	HP Hood LLC	Industrial	115,293,047	0.31
12.	Cim & J Street Sacto LP (PMC Commercial)	Hotel	100,406,866	0.27
13.	GPT Props Trust	Office Building	100,210,029	0.27
14.	GSA Sacramento CA LLC	Office Building	96,965,225	0.26
15.	Capital Towers Apartments LLC	Apartments	95,735,425	0.26
16.	1415 Meridian Plaza Investors LP	Office Building	86,500,000	0.24
17.	NB Element DST	Apartments	83,522,700	0.23
18.	Amcal Sacramento LLC	Apartments	80,315,779	0.22
19.	Kaiser Foundation Health Plan Inc.	Office Building	78,638,477	0.21
20.	Capitol Regency LLC	Hotel	<u>78,400,402</u>	<u>0.21</u>
			\$2,820,016,868	7.67%

⁽¹⁾ 2019-20 local secured assessed valuation: \$36,759,308,491.

Source: California Municipal Statistics, Inc.

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

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. The rate of tax imposed on unsecured property for repayment of the Bonds is based on the prior year's secured property tax rate. Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows a recent history of *ad valorem* property tax rates in a typical Tax Rate Area of the District (TRA 3-005).

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

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20⁽¹⁾</u>
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Los Rios Community College Dist. Bonds	.0091	.0141	.0130	.0131	.0232
Sacramento City Unified School Dist. Bonds	<u>.1335</u>	<u>.1277</u>	<u>.1235</u>	<u>.1164</u>	<u>.1139</u>
Total	\$1.1426	\$1.1418	\$1.1365	\$1.1295	\$1.1371

⁽¹⁾ The 2019-20 assessed valuation of TRA 3-005 is \$10,800,654,622 which is 28.3% of the total assessed valuation of the District.
Source: California Municipal Statistics, Inc.

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

Tax Charges and Delinquencies

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

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

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

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

Teeter Plan

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

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

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

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

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

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

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

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

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Year 2005-06 through Fiscal Year 2018-19**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2009-10	\$22,583,246.00	\$572,615.00	2.54%
2010-11	24,021,726.00	601,074.00	2.50
2011-12	24,460,162.00	412,252.00	1.76
2012-13	23,564,394.00	342,084.00	1.45
2013-14	30,387,687.00	425,488.00	1.40
2014-15	31,237,744.00	335,227.00	1.07
2015-16	36,197,451.00	311,422.00	0.86
2016-17	36,846,021.00	307,015.00	0.83
2017-18	38,637,596.00	388,774.00	1.01
2018-19	39,103,684.00	328,227.00	0.84

⁽¹⁾ District's 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 October 1, 2019, 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**

2019-20 Assessed Valuation: \$38,168,309,566

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/19</u>
Los Rios Community College District	18.377%	\$ 69,008,392
Sacramento City Unified School District	100.000	447,342,966⁽¹⁾
City of Sacramento Community Facilities Districts	0.009-100.	18,736,125
City and Special District 1915 Act Bonds (Estimate)	Various	143,932,499
Southgate Recreation and Park Benefit Assessment District	15.956	<u>693,957</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$679,713,939

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Sacramento County General Fund Obligations	22.236%	\$ 37,472,667
Sacramento County Pension Obligation Bonds	22.236	187,863,081
Sacramento County Board of Education Certificates of Participation	22.236	883,881
Sacramento City Unified School District Lease Revenue Bonds	100.000	63,120,000
City of Elk Grove General Fund Obligations	0.281	88,937
City of Rancho Cordova Certificates of Participation	9.899	1,486,830
City of Sacramento General Fund Obligations	58.943	384,915,473
Cordova Recreation and Park District General Fund Obligations	26.28	1,947,002
Cosumnes Community Services District Certificates of Participation	0.248	52,080
Sacramento Metropolitan Fire District General Fund and Pension Obligation Bonds	5.815	<u>3,246,164</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$681,076,115
Less: City of Elk Grove supported obligations		25,051
Sacramento County supported obligations		3,790,686
City of Sacramento supported obligations		<u>270,139,423</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$407,120,955

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	\$137,887,523
GROSS COMBINED TOTAL DEBT	\$1,498,677,577⁽²⁾
NET COMBINED TOTAL DEBT	\$1,224,722,417

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$447,342,966)	1.17%
Total Direct and Overlapping Tax and Assessment Debt.....	1.78%
Combined Direct Debt (\$510,462,966)	1.34%
Gross Combined Total Debt.....	3.93%
Net Combined Total Debt	3.21%

Ratios to Redevelopment Incremental Valuation (\$7,342,232,658):

Total Overlapping Tax Increment Debt.....	1.88%
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(1) Excludes Bonds to be sold.

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

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, as amended (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 alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C 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 tax purposes. 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 actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. 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 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 Internal Revenue Service ("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 tax-exempt 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.

RISK FACTORS

The factors discussed below (among others) should be considered in evaluating the probability of payment of the Bonds. The considerations discussed below are not meant to be an exhaustive list of considerations associated with the purchase of the Bonds, and the discussion below does not necessarily reflect the relative importance of the various considerations. Potential investors should consider the following factors, among others, and review the other information in this Official Statement. Any one or more of the considerations discussed, and others, could lead to a decrease in the market value and or the liquidity of the Bonds. There can be no assurance that other factors and considerations will not become material in the future.

District Financial Risks

Neither the principal of, nor interest on, the Bonds is payable from the District's General Fund or from State revenues. The Bonds are paid by the County solely from *ad valorem* property taxes levied by the County – moneys over which the District exerts no control. Nevertheless, the District has presented information concerning its finances and operations and has detailed the State funding of education in APPENDIX A as supplementary information. Because some of the events and circumstances discussed in APPENDIX A are anomalous, they are noted below.

Reserve for Economic Uncertainty. The District is required to maintain a reserve for economic uncertainty equal to 2.0% of annual General Fund expenditures and other financing uses (the "**Minimum Reserve**"). For the year ended June 30, 2018, the District reserve was [3.9]% of the total expenditures. While the District is to maintain the Minimum Reserve, the impact of increased costs of compensation, pension, health and welfare benefits has outpaced the increase in revenue. In addition, the District faces decreases in enrollment due in part to [decreases in the birth rate in recent years and competition with charter schools]. The adopted budget for fiscal year 2019-20 implements approximately \$20.5 million in budgetary adjustments in order to achieve the targeted Minimum Reserve in fiscal year 2019-20, and provide additional reserves for the outlying years. The District projects it will meet the Minimum Reserve requirement for 2019-20 fiscal year.

Budgetary adjustments come from aligning staffing to enrollment, reducing expenditures, and increasing revenue. The adopted budget for fiscal year 2019-20 was submitted to the County Office of Education (“**SCOE**”) for review. SCOE disapproved the adopted budget for fiscal year 2019-20 due to the District’s projected negative ending fund balance for 2021-22. . See “– *Budgetary Risks*” below.

On June 20, 2019, the District adopted its budget for fiscal year 2019-20, and the multiyear projections included in the budget indicated that the District would not meet the Minimum Reserve requirement in fiscal year 2021-22, with significant net decreases to the general fund balance in fiscal years 2020-21 and 2021-22.

The District’s financial and budgetary practices have been subject to increased oversight by the Financial Crisis Management Assistance Team (“**FCMAT**”), as well as the SCOE. See “– FCMAT Oversight and Report” and “– County Oversight.”

Dependence on State Funds. Due to District dependence on the State for a substantial portion of its operating funds, reductions in State funding may have an adverse effect on the District’s financial health. In past years the State has reduced its funding of the District to try to address shortfalls in the State budget, and these reductions have caused concomitant reductions in the District’s budget. For a more detailed discussion of the relationship between State funding of education and the District’s budget, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET.”

Budgetary Risks. The District submitted its fiscal year 2018-19 budget to SCOE twice, and on each occasion SCOE disapproved the budget due to projected negative ending fund balances for 2019-20 and 2020-21. The District self-certified its first and second interim budget reports for fiscal year 2018-19 as negative. The adopted budget for fiscal year 2019-20 was submitted to the SCOE for review. SCOE disapproved the adopted budget for fiscal year 2019-20 due to the projected negative ending fund balance for fiscal year 2021-22. The District faces a \$27 million structural budget deficit that it must eliminate in order to avoid running out of cash in fiscal year 2021-22, and avoid a State takeover. See APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – District Budget Process and County Review.”

As a result, SCOE provides the District with oversight and assistance. See “– County Oversight.”

Labor Agreements. Currently, four out of five District labor unions have initiated contract negotiations with the District and formed a labor-management consortium (“**LMC**”) focused on reducing spending on benefits. The LMC is made up of SEIU 1021, United Professional Educators, Teamsters Local 150 and Classified Supervisors. Leaders of the Sacramento City Teachers Association (“**SCTA**”) have not yet accepted the invitation to join the LMC, nor have they attended the contract negotiations in person. The negotiations encompass review of the District’s current health plan and other postemployment benefits. The District cannot predict the outcome or effect that such negotiations will have on its operations or budget. See APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Labor Relations.”

Healthcare and OPEB Costs. The District’s reported total OPEB liability at June 30, 2018 was \$780,518,410.00.

FCMAT Oversight and Report

In September 2018, the District and FCMAT entered into an agreement to conduct a fiscal health risk analysis and determine the risk rating of the District. On December 12, 2018, FCMAT delivered its fiscal health risk analysis (the “**Fiscal Health Risk Analysis**”) which recommended that the District take immediate action to avoid further erosion of the District’s reserves. In the Fiscal Health Risk Analysis, FCMAT identified several signs of fiscal distress for the District, including deficit spending, substantial reductions in fund balance, inadequate reserve levels, approval of a bargaining agreement beyond cost-of-living adjustments, large increases in contributions to restricted programs (especially in special education), lack of a strong position control system, and leadership issues. FCMAT reviewed twenty fiscal indicator sections in its analysis, noting that districts that respond “No” to several fiscal indicator questions across the twenty sections may have cause for concern and could require some level of fiscal intervention. FCMAT noted that in light of the District’s most recent cash flow projections, there was urgency to make \$30 million

in reductions to balance the budget for fiscal year 2019-20. FCMAT's oversight and review of the District ended after the Fiscal Health Risk Analysis was presented to the Board.

For further information on FCMAT's review of and conclusions regarding the District's financial condition, investors are directed to read the full version of the Fiscal Health Risk Analysis, which is publicly available on FCMAT's website at the following address: <http://www.fcmat.org/>. The information referred to is prepared by FCMAT and not by the District, and the District can take no 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 these references.

In response to the Fiscal Health Risk Analysis, the District established its Fiscal Transparency and Accountability Committee (the "**Committee**") to review the District's budget based on District priorities and goals, review and advise on budget versus actual expenditure variances, and evaluate the budget based on student performance and outcome indicators. The Committee consists of three members of the Board and began meeting regularly in February 2019. The Committee's meeting schedule and agendas are available at the District's website at the following address: <http://www.scusd.edu/board-education-committee/fiscal-transparency-and-accountability-committee>.

County Oversight

Per Section 42127 of the Education Code, because the County Office of Education disapproved the District's fiscal year 2019-20 Adopted Budget, increased oversight procedures were implemented. These procedures include the assignment of a Fiscal Advisor to assist the District with building a balanced budget. The County Office of Education-appointed Fiscal Advisor will continue to assist the District until the District eliminates deficit spending and regains the required level of reserves.

State Audit

The California Joint Legislative Audit Committee has directed that a state auditor conduct a performance audit (the "**State Audit**") of the District's finances for the past five fiscal years and identify current causes of the District's fiscal distress. The State Audit began on May 1, 2019 and is expected to be released in December 2019.

Federal Subsidy Payments on Direct Subsidy Bonds and Tax Credit Bonds

As a result of disputed payroll tax penalties owed by the District in calendar year 2018, the Internal Revenue Service (the "**IRS**") intercepted federal subsidy payments of approximately \$650,000 to be paid to the District in connection with its General Obligation Bonds (Measures Q and R) (Election of 2012), 2013 Series B (Qualified School Construction Bonds). The District requested that the IRS reverse its intercept of the disputed penalty amount and refund the amount due. The District is awaiting IRS response and action.

The District cannot predict whether and to what extent federal subsidy payments for direct subsidy bonds or tax credit bonds may be intercepted, or the extent to which sequestration may affect the District's receipt of federal subsidy payments in the future.

OTHER LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

General. Following is a discussion of certain considerations in the event that the District should become a debtor in a bankruptcy proceeding. It is not an exhaustive discussion of the potential application of bankruptcy law to the District.

State law contains a number of safeguards to protect the financial solvency of school districts. If the safeguards are not successful in preventing the District from becoming insolvent, the State Superintendent of Public Instruction (the "**State Superintendent**"), operating through an administrator appointed by the State Superintendent,

may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the “**Bankruptcy Code**”) on behalf of the District for the adjustment of its debts, assuming that the District meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. Under current State law, the District is not itself authorized to file a bankruptcy proceeding, and it is not subject to an involuntary bankruptcy proceeding.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District or the County (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court’s permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, including the obligation of the County and the District to raise taxes if necessary to pay the Bonds, if the bankruptcy court determines that the plan is fair and equitable and otherwise complies with the Bankruptcy Code. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Limitations on Plans of Adjustments. Chapter 9 of the Bankruptcy Code provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in the state, in the exercise of its political or governmental powers, including expenditures for such exercise. In addition, Chapter 9 provides that a bankruptcy court may not interfere with the political or governmental powers of the debtor, unless the debtor consents to that action or the plan so provides. State law provides that *ad valorem* taxes may be levied to pay the principal of and interest on the Bonds and other voted general obligation bonds of the District in an unlimited amount, and that proceeds of such a levy must be used for the payment of principal of and interest on the District’s general obligation bonds, including the Bonds, and for no other purpose. Under State law, the District’s share of the 1% limited tax imposed by the County is the only *ad valorem* tax revenue that may be raised and expended to pay liabilities and expenses of the District other than its voter-approved debt, such as its general obligation bonds. If the State law restriction on the levy and expenditure of *ad valorem* taxes is respected in a bankruptcy case, then *ad valorem* tax revenue in excess of the District’s share of the 1% limited County tax could not be used by the District for any purpose under its plan other than to make payments on the Bonds and its other voted general obligation bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to State law, all general obligation bonds issued by local agencies, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes. State law provides that the lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the bonds are executed and delivered. As a result, the lien on debt service taxes will continue to be valid with respect to post-petition receipts of debt service taxes, should the District become the subject of bankruptcy proceedings. However, the automatic stay provisions of the Bankruptcy Code would apply, preventing bondholders from enforcing their rights to payment from such taxes, so payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* tax revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. “Special revenues” are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* taxes for payment of the Bonds. The Bonds and the District’s other general obligation bonds were approved at elections held on propositions that described the projects for which such bonds may be issued. As noted above, State law prohibits the use of the proceeds of the District’s debt service tax for any purpose other than payment of its general obligation bonds, and the bond proceeds may only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in

bankruptcy proceedings of *ad valorem* tax revenues collected for the payment of general obligation bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

The Bankruptcy Code provides that there is no stay of application of pledged special revenues to payment of indebtedness secured by such revenues. The United States Court of Appeals for the First Circuit, in a case arising out of the insolvency proceedings of Puerto Rico, recently held that this provision permitted voluntary payments of debt service by the issuer of bonds backed by special revenues, but did not permit the bondholders to compel the issuer to make payments of debt service from special revenues. If this decision is followed by other courts, the holders of the Bonds may be prohibited from taking any action to require the District or the County to make payments on the Bonds without the bankruptcy court's permission. This could result in substantial delays in payments on the Bonds.

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

Bondholders may experience delays or reductions in payments on the Bonds, the Bonds may decline in value or Bondholders may experience other adverse effects should the District file for bankruptcy.

Possession of Tax Revenues; Remedies. If the District goes into bankruptcy and the District or the County has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the District or the County, as applicable, does not voluntarily pay such tax revenues to the Owners of the Bonds, it is not entirely clear what procedures the Owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. A similar risk would exist if the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy).

Risk of Investment Losses. Pending delivery of *ad valorem* tax revenues to the Paying Agent, the County Treasurer may invest the *ad valorem* tax revenues in the County Investment Pool or in other investments. Should any of these investments suffer any losses, there may be delays or reductions in payments on the Bonds.

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

Legal Opinion

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

Legality for Investment in California

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "**Annual Report**") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for fiscal

year 2018-19 (which is due no later than April 1, 2020) and to provide notice of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX E – “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

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

No Litigation

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

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

MISCELLANEOUS

Ratings

The Bonds have received the rating of “[____]” by Moody’s Investors Service (“**Moody’s**”). Rating agencies generally base their ratings on their own investigations, studies and assumptions. The District has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement). The rating reflects only the views of the rating agency and any explanation of the significance of such rating may be obtained only from such rating agency at www.moody.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 such rating will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of a rating agency, 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, LLC, is acting as Municipal Advisor with respect to the Bonds, and will receive compensation from the District

contingent upon the sale and delivery of the Bonds. Lozano Smith is acting as District General Counsel with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Underwriting

The Bonds are to be purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”). The Underwriter has agreed, subject to certain terms and conditions set forth in the Bond Purchase Agreement, dated _____, 2019 by and among the Underwriter, the County and the District, to purchase the Bonds at a purchase price of \$_____ (which represents the aggregate initial principal amount of the Bonds, plus a [net] original issue premium of \$_____ and less \$_____ of Underwriter’s discount). The Underwriter will purchase all the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing said Bonds into investment trusts) and others at prices lower than the initial public offering price, and the public offering price may be changed from time to time by the Underwriter.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Additional Information

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

* * *

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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

THE DISTRICT

Introduction

The District, located in Sacramento County, California (the "**County**"), is the 13th largest school district in the State of California (the "**State**") as measured by student enrollment. The District provides educational services to approximately 350,000 residents in and around the City of Sacramento (the "**City**"), the State capital. The District operates under the jurisdiction of the Superintendent of Schools of the County. See "THE BONDS – Authority for Issuance; Purpose" herein. The District's average daily attendance for fiscal year 2019-20 is budgeted at 38,417 students and the District's 2019-20 general fund expenditures are projected at approximately \$533.0 million.

The District operates 42 elementary schools for grades K-6, seven K-8 schools, six middle schools for grades 7-8, two 7-12 schools, seven comprehensive high schools for grades 9-12, three alternative education centers, two special education centers, two adult education centers, 15 charter schools (including five dependent charter schools) and 33 children's centers/preschools serving infants through age 12. The District's estimated enrollment for fiscal year 2019-20, including charter schools in the District, is approximately 40,235 students. For fiscal year 2019-20, the District budgets to employ approximately 3,671.9 FTE employees, which includes 2,187.7 certificated (credentialed teaching) employees, 1,219.9 FTE classified (noninstructional) employees, and 264.3 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.

The day-to-day operations are managed by a Board-appointed Superintendent of Schools. Jorge A. Aguilar was appointed Superintendent of the District on July 1, 2017. Prior to serving as Superintendent, Mr. Aguilar was the Associate Superintendent for Equity and Access at Fresno Unified School District. In his career, Superintendent Aguilar has also served as an Associate Vice Chancellor for Educational and Community Partnerships and Special Assistant to the Chancellor at the University of California, Merced; as a Spanish teacher at South Gate High School; and a legislative fellow in the State Capitol. Mr. Aguilar has over 20 years of experience in the field of K-12 and higher education and holds a Bachelor of Arts from the University of California, Berkeley and a Juris Doctor degree from Loyola Law School.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for most school districts in California, the District's operating income consists primarily of three components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "**Local Control Funding Formula**" or "**LCFF**") (see " – Allocation of State Funding to School Districts; Local Control Funding Formula" herein), a State portion funded from the Education Protection Account, and a local portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the State

Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District projects to receive approximately 72.9% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately \$388.8 million for fiscal year 2019-20. Such State funds include both the State funding provided under LCFF as well as other State revenues (see “ – Allocation of State Funding to School District; Local Control Funding Formula – *Attendance and LCFF*” and “ – Other District Revenues – *Other State Revenues*” below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the State Constitution), a minimum level of funding is guaranteed to school districts, community college districts and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State revenues from personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local educational agencies (“LEA”) therein implemented a new funding formula for school finance system called LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See “– Allocation of State Funding to School Districts; Local Control Funding Formula” below for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature “as related to the budget in the budget bill.” The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2019-20 State budget on June 27, 2019.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local

share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

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

Although the State Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact on the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. 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 of Public Instruction (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 State budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Rainy Day Fund; SB 858. In connection with the 2014-15 State Budget, the Governor proposed certain constitutional amendments ("**Proposition 2**") to the rainy day fund (the "**Rainy Day Fund**") for the November 2014 Statewide election. Senate Bill 858 (2014) ("**SB 858**") amends the Education Code to, among other things, limit the amount of reserves that may be maintained by a school district subject to certain State budget matters. Upon the approval of Proposition 2, SB 858 became operational. Senate Bill 751 (2017) ("**SB 751**") altered the reserve requirements imposed by SB 858. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2."

AB 1469. As part of the 2014-15 State Budget, the Governor signed Assembly Bill ("**AB 1469**") which implements a new funding strategy for the California State Teachers' Retirement System ("**CalSTRS**"), increasing the

employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. See “– Retirement Benefits – CalSTRS” below for more information about CalSTRS and AB 1469.

2019-20 State Budget. The Governor signed the fiscal year 2019-20 State Budget (the “**2019-20 State Budget**”) on June 27, 2019. The 2019-20 State Budget sets forth a balanced budget for fiscal year 2019-20 that projects approximately \$143.8 billion in revenues, and \$91.9 billion in non-Proposition 98 expenditures and \$55.9 billion in Proposition 98 expenditures. The 2019-20 State Budget includes a \$1.4 billion reserve in the Special Fund for Economic Uncertainties. To provide immediate and long-term relief to school districts facing rising pension costs, the 2019-20 State Budget includes a \$3.15 billion non-Proposition 98 General Fund payment to the California State Teachers’ Retirement System (“**CalSTRS**”) and the California Public Employees’ Retirement System (“**CalPERS**”) Schools Pool. Of this amount, an estimated \$850 million will buy down the employer contribution rates in fiscal years 2019-20 and 2020-21. The 2019-20 State Budget includes total funding of \$103.4 billion (\$58.8 billion General Fund and \$44.6 billion other funds) for all K-12 education programs. The 2019-20 State Budget provides \$1.9 billion in new Proposition 98 funding for the LCFF, reflecting a 3.26% cost of living adjustment. The 2019-20 State Budget also includes a constitutionally required deposit into the Public School System Stabilization Account (also referred to as the Proposition 98 Rainy Day Fund) in the amount of \$376.5 million. Such deposit to the Public School System Stabilization Account does not initiate any school district reserve caps, as the amount in the Public School System Stabilization Account (which is equal to the fiscal year 2019-20 deposit) is not equal to or greater than 3% of the total K-12 share of the Proposition 98 guarantee (approximately \$2.1 billion).

Certain budgeted adjustments for K-12 education set forth in the 2019-20 State Budget include the following:

- **Special Education.** The 2019-20 State Budget includes \$645.3 million ongoing Proposition 98 General Fund resources for special education, including \$152.6 million to provide for all Special Education Local Plan Areas with at least the statewide target rate for base special education funding, and \$492.7 million allocated based on the number of children ages 3 to 5 years with exceptional needs that the school district is serving.
- **After School Education and Safety Program.** The 2019-20 State Budget includes \$50 million ongoing Proposition 98 General Fund resources to provide an increase of approximately 8.3% to the per-pupil daily rate for the After School Education and Safety Program.
- **Longitudinal Data System.** The 2019-20 State Budget includes \$10 million one-time non-Proposition 98 General Fund resources to plan and develop a longitudinal data system to improve coordination across data systems and better track the impacts of State investments on achieving educational goals.
- **Retaining and Supporting Well-Prepared Educators.** The 2019-20 State Budget includes \$89.8 million one-time non-Proposition 98 General Fund resources to provide up to 4,487 grants of \$20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years. The 2019-20 State Budget also includes \$43.8 million one-time non-Proposition 98 General Fund resources to provide training and resources for classroom educators, including teachers and paraprofessionals, to build capacity around key state priorities. Finally, the 2019-20 State Budget includes \$13.8 million ongoing federal funds to establish the 21st Century California Leadership Academy, to provide professional learning opportunities for public K-12 administrators and school leaders to acquire the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.
- **Broadband Infrastructure.** The 2019-20 State Budget includes \$7.5 million one-time non-Proposition 98 General Fund resources to assist school districts in need of infrastructure and updates to meet the growing bandwidth needs of digital learning.

- School Facilities Bond Funds. The 2019-20 State Budget assumes \$1.5 billion Proposition 51 bond funds, an increase of \$906 million over the prior year, to support school construction projects.
- Full-Day Kindergarten. The 2019-20 State Budget includes \$300 million one-time non-Proposition 98 General Fund resources to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.
- Proposition 98 Settle-Up. The 2019-20 State Budget includes an increase of \$686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funding owed through fiscal year 2017-18.
- Classified School Employees Summer Assistance Program. The 2019-20 State Budget includes an increase of \$36 million one-time Proposition 98 General Fund resources to provide an additional year of funding for the Classified School Employees Summer Assistance Program, which provides a State match for classified employee savings used to provide income during summer months.
- Wildfire-Related Cost Adjustments. The 2019-20 State Budget includes an increase of \$2 million one-time Proposition 98 General Fund resources to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by 2017 and 2018 wildfires. Additionally, the 2019-20 State Budget includes an increase of \$727,000 one-time Proposition 98 General Fund resources to reflect adjustments to the State's student nutrition programs resulting from wildfire-related losses. Further, the 2019-20 State Budget holds both school districts and charter schools impacted by the wildfires harmless for State funding for two years.

The complete 2019-20 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.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2019-20 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Bonds.

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

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources

by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

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

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

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

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

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

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a “redevelopment property tax trust fund” created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each

county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

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

The District did not receive any pass-through payments in fiscal year 2018-19 and does not project it will receive any pass-through payments in fiscal year 2019-20. The District does not anticipate the dissolution of redevelopment agencies to have any significant effect on its total general revenues.

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

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

Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under Section 42238 *et seq.* of the State Education Code, 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. 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 increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the 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 average daily attendance ("**A.D.A.**") with additional supplemental funding allocated to local

educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF originally had an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. In fiscal year 2018-19, the LCFF was fully funded ahead of the eight year implementation schedule. The LCFF includes the following components:

- A Base Grant for each local educational agency. The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2019-20, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$7,702 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,818 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$8,050 per A.D.A. for grades 7 and 8; and (d) a Target Base Grant for each LEA equivalent to \$9,329 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State.
- A 20% supplemental grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local educational agency's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local educational agency that comprise more than 55% of enrollment.
- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every local educational agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local educational agencies would receive the greater of the Base Grant or the ERT.

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.

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

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

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

Attendance. The following table sets forth the District’s actual A.D.A., and enrollment for fiscal years 2010-11 through 2019-20 for grades K-12. The A.D.A. and enrollment numbers reflected in the following table include special education.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Average Daily Attendance and Student Enrollment
Fiscal 2010-11 through 2019-20**

Year	Average Daily Attendance ⁽¹⁾	Enrollment ⁽²⁾
2010-11	41,347	43,754
2011-12	41,131	43,426
2012-13	40,449	42,623
2013-14	39,985	41,638
2014-15	38,891	41,026
2015-16	38,837	41,028
2016-17	38,686	41,079
2017-18	38,588	40,852
2018-19	38,425	40,624
2019-20 ⁽³⁾	38,019	40,235

- ⁽¹⁾ Average daily attendance for the second period of attendance, typically in mid-April of each school year.
⁽²⁾ Enrollment figures include dependent charter schools in the District and exclude independent charter schools.
⁽³⁾ Budgeted.
Source: The District.

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Attendance and LCFF. The following table sets forth the District’s actual 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 through 2019-20. The State has reached full funding of the Base Grant in fiscal year 2018-19. The A.D.A. and enrollment numbers reflected in the following table include special education and exclude enrollment at any independent charter schools.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Base Grant and Enrollment
Fiscal Years 2013-14 through 2019-20**

Fiscal Year		A.D.A./Base Grant				Enrollment ⁽¹⁰⁾		
		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated % of EL/LI Students
2013-14	A.D.A. ⁽²⁾ :	13,462	9,574	6,304	10,677	40,017	41,679	74.42%
	Targeted Base Grant ⁽³⁾ :	\$6,952	\$7,056	\$7,266	\$8,419	-	-	-
2014-15	A.D.A. ⁽²⁾ :	12,761	9,616	6,247	10,304	38,928	41,066	68.36%
	Targeted Base Grant ⁽³⁾⁽⁴⁾ :	\$7,011	\$7,116	\$7,328	\$8,491	-	-	-
2015-16	A.D.A. ⁽²⁾ :	12,386	9,735	6,357	10,383	38,861	41,070	71.64%
	Targeted Base Grant ⁽³⁾⁽⁵⁾ :	\$7,083	\$7,189	\$7,403	\$8,578	-	-	-
2016-17	A.D.A. ⁽²⁾ :	12,307	9,722	6,342	10,347	38,718	41,115	70.89%
	Targeted Base Grant ⁽³⁾⁽⁶⁾ :	\$7,083	\$7,189	\$7,403	\$8,578	-	-	-
2017-18	A.D.A. ⁽²⁾ :	12,355	9,433	6,451	10,433	38,673	40,894	71.49%
	Targeted Base Grant ⁽³⁾⁽⁷⁾ :	\$7,193	\$7,301	\$7,518	\$8,712	-	-	-
2018-19	A.D.A. ⁽²⁾ :	12,200	9,178	6,570	10,546	38,495	40,762	72.51%
	Targeted Base Grant ⁽³⁾⁽⁸⁾ :	\$7,459	\$7,571	\$7,796	\$9,034	-	-	-
2019-20 ⁽¹⁾	A.D.A. ⁽²⁾ :	12,074	9,083	6,502	10,438	38,096	40,337	72.51%
	Targeted Base Grant ⁽³⁾⁽⁹⁾ :	\$7,702	\$7,818	\$8,050	\$9,329	-	-	-

⁽¹⁾ Figures are projections.

⁽²⁾ A.D.A. for the second period of attendance, typically in mid-April of each school year.

⁽³⁾ Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts were not fully funded until fiscal year 2018-19.

⁽⁴⁾ Targeted fiscal year 2014-15 Base Grant amounts reflect a 0.85% cost of living adjustment from targeted fiscal year 2013-14 Base Grant amounts.

⁽⁵⁾ Targeted fiscal year 2015-16 Base Grant amounts reflect a 1.02% cost of living adjustment from targeted fiscal year 2014-15 Base Grant amounts.

⁽⁶⁾ Targeted fiscal year 2016-17 Base Grant amounts reflect a 0.00% cost of living adjustment from targeted fiscal year 2015-16 Base Grant amounts.

⁽⁷⁾ Targeted fiscal year 2017-18 Base Grant amounts reflect a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.

⁽⁸⁾ Targeted fiscal year 2018-19 Base Grant amounts reflect a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts.

⁽⁹⁾ Targeted fiscal year 2019-20 Base Grant amounts reflect a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.

⁽¹⁰⁾ 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 was 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 was 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 was and 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.

Source: The District.

The District received approximately \$398.7 million in aggregate revenues allocated under the LCFF in fiscal year 2018-19, and projects to receive approximately \$411.7 million in aggregate revenues under the LCFF in fiscal

year 2019-20 (or approximately 77.3% of its general fund revenues in fiscal year 2019-20). Such amount includes an estimated \$47.5 million in supplemental grants and \$28.3 million in concentration grants in fiscal year 2019-20.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently. In an LCFF district, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs 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 equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment 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.

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. 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 adopted budget and projected 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 2018-19 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 *et seq.* and Sections 95 *et seq.* of the California Revenue and Taxation Code. Section 42238(h) of the California Education Code itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. 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 California Constitution. Such districts were known as "basic aid districts" and, under the LCFF, are known as "community funded districts." School districts that received some State aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district. Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "*Allocation of State Funding to School Districts; Local Control Funding Formula*" below for more information.

Local property tax revenues are estimated to account for approximately 22.9% of the District's aggregate revenues reported under LCFF sources in fiscal year 2018-19, and are projected to be \$91.5 million, or 17.1% of its total general fund revenues in fiscal year 2019-20.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 9.5% (or approximately \$50.8 million) of the District's general fund projected revenues for fiscal year 2019-20.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues which comprise approximately 11.9% (or approximately \$63.6 million) of the District's general fund projected revenues for fiscal year 2019-20. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected to be approximately \$8.2 million in fiscal year 2019-20, representing about 1.5% of general fund revenues.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as interest earnings and other local sources. Other local revenues comprise approximately 1.3% (or approximately \$6.8 million) of the District's general fund projected revenues for fiscal year 2019-20.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2018, which are included as APPENDIX C.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Crowe LLP, Sacramento, California, served as independent auditor to the District for fiscal year ended June 30, 2018. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has neither audited nor reviewed this Official Statement. The auditor has made no representation in connection with inclusion of the audit herein that there has been no material change in the financial condition of the District since the audit was concluded. The District is required by law to adopt its audited financial statements following a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table shows the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2013-14 through 2017-18.

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
General Fund
Revenues, Expenditures and Fund Balances
Fiscal Year 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
REVENUES					
LCFF Sources					
State Apportionment	\$233,388,541	\$253,388,065	\$279,635,875	\$283,664,516	\$287,546,461
Local Sources/Property Taxes	59,351,680	62,151,276	67,833,718	79,238,343	85,807,376
Total LCFF Sources	\$292,740,221	\$315,539,341	\$347,469,593	\$362,902,859	\$373,353,837
Federal Revenue	47,934,358	43,153,693	41,092,819	41,219,643	49,249,342
Other State Revenue	52,891,179	62,827,008	105,152,845	83,134,267	70,050,430
Other Local Revenue	12,249,399	11,130,531	43,437,281	10,843,677	11,881,019
Total Revenues	\$405,815,157	\$432,650,573	\$537,152,538	\$498,100,446	\$504,534,628
EXPENDITURES					
Certificated Salaries	\$159,772,198	\$165,315,040	\$176,005,412	\$192,501,260	\$196,143,370
Classified Salaries	49,708,213	51,468,603	56,705,577	58,343,622	63,562,086
Employee Benefits	106,058,973	134,164,354	139,255,928	141,343,139	160,839,811
Books and Supplies	12,645,150	14,881,152	11,082,532	12,897,800	19,147,391
Services, Other Operating Expenditures	55,459,661	57,364,014	89,605,018	87,290,180	71,049,494
Capital Outlay	331,829	2,576,920	21,472,676	23,010,286	2,202,829
Other (outgo)	235,930	240,854	394,103	216,459	659,827
Debt service	1,997,075	2,821,195	8,210	68,211	4,403,750
Total Expenditures	\$386,209,029	\$428,832,132	\$494,529,456	\$515,670,957	\$518,008,558
Excess (Deficiency) of Revenues Over Expenditures					
	\$19,606,128	\$3,818,441	\$42,623,082	\$(17,570,511)	\$(13,473,930)
Other Financing Sources (Uses):					
Transfers in ⁽¹⁾	\$ 3,550,271	\$ 3,007,486	\$18,911,687	\$ 3,126,985	\$ 3,755,901
Transfers Out ⁽²⁾	(1,071,304)	(3,762,319)	(8,386,451)	(2,022,282)	(1,248,027)
Proceeds from Obligations/Liabilities	-	226,249	-	-	-
Net Financing Sources (Uses)	\$2,478,967	\$(528,584)	\$10,525,236	\$1,104,703	\$2,507,874
NET CHANGE IN FUND BALANCES	\$22,085,095	\$3,289,857	\$53,148,318	\$(16,465,808)	\$(10,966,056)
Fund Balance – Beginning	\$19,409,345	\$41,494,440	\$44,784,297	\$97,932,615	\$81,466,807
Fund Balance – Ending	\$41,494,440	\$44,784,297	\$97,932,615	\$81,466,807	\$70,500,751
Reserve for Economic Uncertainties ⁽³⁾	\$13,976,133	\$12,763,133	\$18,763,133	\$20,013,133	\$20,013,133

⁽¹⁾ Transfers in include revenue to the General Fund from the Charter Fund for charter school fees, indirect costs and operational costs funded from the General Fund.

⁽²⁾ Transfers out include contributions to the Adult Education, Charter and Child Development Funds from the General Fund.

⁽³⁾ The District must maintain a two percent unrestricted general fund reserve for economic uncertainty.

Source: Audited Financial Reports for fiscal years 2013-14 through 2017-18.

The following table shows the general fund balance sheets of the District for the fiscal years 2012-13 through 2017-18.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Summary of General Fund Balance Sheet
as of June 30, 2013, 2014, 2015, 2016, 2017 and 2018

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
ASSETS						
Cash and Investments						
Cash in County Treasury	\$9,329,475	\$16,350,865	\$63,791,598	\$127,548,140	\$92,414,388	\$75,050,277
Cash on Hand and in Banks	510,691	404,609	584,514	725,049	1,700,267	281,217
Cash in Revolving Fund	225,000	225,000	225,000	225,000	225,000	225,000
Cash Awaiting Deposit	-	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	657,089	-	-
Deferred Compensation	2,424,401	-	-	-	-	-
Accounts Receivable	84,734,409	69,947,333	28,381,376	6,607,783	12,008,190	8,656,692
Prepaid Expenditures	55,686	31,329	38,549	37,239	16,636	12,730
Due from Other Funds	1,827,097	1,004,606	2,691,876	3,051,544	2,963,638	4,117,257
Due from Grantor Governments	-	-	-	24,050,115	17,961,176	16,311,650
Stores Inventory	129,180	127,301	126,019	132,216	126,654	108,722
Total Assets	\$99,235,939	\$88,091,043	\$95,838,932	\$163,034,175	\$127,415,949	\$104,763,545
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$10,514,617	\$14,459,023	\$26,960,108	\$33,377,290	\$34,529,308	\$26,947,248
TRANS Payable	60,000,000	26,000,000	-	-	-	-
Deferred Compensation	2,424,401	-	-	-	-	-
Unearned revenue ⁽¹⁾	1,709,477	2,343,216	20,620,188	27,910,917	6,458,836	6,567,313
Due to other funds	5,178,099	3,794,364	3,474,339	3,813,353	4,960,998	748,233
Total Liabilities	\$79,826,594	\$46,596,603	\$51,054,635	\$65,101,560	\$45,949,142	\$34,262,794
FUND BALANCES						
Total Fund Balances	\$19,409,345	\$41,494,440	\$44,784,297	\$97,932,615	\$81,466,807	\$70,500,751
Total Liabilities and Fund Balances	\$99,235,939	\$88,091,043	\$95,838,932	\$163,034,175	\$127,415,949	\$104,763,545

⁽¹⁾ "Deferred revenue" in Audited Financial Report for fiscal years 2014-15.

Source: District Audited Financial Reports for fiscal years 2012-12 through 2017-18.

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 County of Sacramento Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 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. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent on or before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the State Superintendent may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations.

If at any time during the fiscal year the county superintendent determines that a school district may be unable to meet its financial obligations for the current or two subsequent fiscal years or if a school district has a qualified or negative certification (as describe below), the county superintendent will notify the governing board of the school district and the State Superintendent of that determination and report to the State Superintendent the financial condition of the school district. The county superintendent will also report proposed remedial actions and take at least one of the following and all actions that are necessary to ensure that the school district meets its financial obligations: (a) assign a fiscal expert, (b) conduct a study of the financial and budgetary conditions of the school district that includes, but is not limited to, a review of internal controls, (c) direct the school district to submit a financial projection of all fund and cash balances of the school district as of June 30 of the current year and subsequent fiscal years, (d) require the school district to encumber all contracts and other obligations, to prepare appropriate cashflow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables, (e) direct the school district to submit a proposal for addressing the fiscal conditions that resulted in the determination that the school district may not be able to meet its financial obligations, (f) withhold compensation of the members of the governing board of the school district and the school district superintendent for failure to provide requested financial information, and (g) assign the County Office of Education and Fiscal Crisis and Management Assistance Team to review and provide recommendations related to teacher hiring practices, teacher retention rate, percentage of provision of highly qualified teachers, and the extent of teacher misassignment in the school district.

If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. 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 (known as "**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 and the Education Code (Section 42100 *et seq.*), each school district is required to file two 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, based on then current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. The District received a negative certification on its interim financial reports for fiscal year 2018-19.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

[Additional disclosure to come.]

The following table sets forth the budgeted revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2018-19 and 2019-20 and unaudited actuals for fiscal year 2018-19. Certain adjustments may be made throughout the year based on actual State funding and actual District revenues and tax collections. The District cannot make any predictions regarding the disposition of additional pending budget legislation or its effect on the District. The District's budget is a planning tool, and does not represent a prediction as to the actual achievement of any budgeted revenues or fund balances.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Budgeted General Fund Summary for Fiscal Years 2018-19 and 2019-20
and Unaudited Actuals for Fiscal Year 2018-19⁽¹⁾

	2018-19 Budgeted ⁽²⁾	2018-19 Unaudited Actuals ⁽³⁾	2019-20 Budgeted ⁽⁴⁾
REVENUES			
LCFF Sources	\$395,472,932	\$398,672,583	\$411,739,787
Federal Revenue	53,970,361	47,773,812	50,820,713
Other State Revenue	72,985,518	91,644,448	63,599,802
Other Local Revenue	6,696,124	11,737,585	6,818,988
TOTAL	\$529,124,935	\$549,828,428	\$532,979,290
EXPENDITURES			
Certificated Salaries	\$217,093,599	\$211,749,239	\$218,245,243
Classified Salaries	66,721,726	63,096,657	62,208,366
Employee Benefits	174,835,041	186,303,444	175,504,512
Books and Supplies	22,599,345	14,459,074	16,707,888
Services/Other Operating Expenditures	67,411,585	70,305,280	73,931,408
Other Outgo - Transfers of Indirect Costs	(2,304,634)	(1,763,289)	(1,791,960)
Other Outgo (excluding Transfers of Indirect Costs)	5,005,046	721,684	481,300
Capital Outlay	5,328,453	6,855,741	377,792
TOTAL	\$556,690,160	\$551,727,831	\$545,664,549
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$(27,565,225)	\$(1,899,403)	\$(12,685,259)
OTHER FINANCING SOURCES (USES)			
Transfers In ⁽⁵⁾	\$1,903,369	\$2,087,284	\$2,174,627
Transfers Out ⁽⁶⁾	(2,875,207)	(1,719,449)	(1,833,785)
Other Sources/Uses ⁽⁷⁾	-	1,360,162	-
TOTAL OTHER FINANCING SOURCES (USES)	\$(971,838)	\$1,727,997	\$340,842
NET CHANGE IN FUND BALANCE	\$(28,537,063)	\$(171,406)	\$(12,344,417)
Fund Balance – Beginning	\$65,558,519⁽⁸⁾	\$70,500,751⁽⁸⁾	\$55,457,984⁽⁹⁾
Fund Balance – Ending	\$37,021,456	\$70,329,345	\$43,113,567

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

⁽²⁾ Adopted budget for fiscal year 2018-29, approved as of June 21, 2018.

⁽³⁾ Unaudited actuals for fiscal year 2018-19, approved as of October 3, 2019.

⁽⁴⁾ Adopted budget for fiscal year 2019-20, approved as of June 26, 2019.

⁽⁵⁾ Transfers in include revenue to the General Fund from the Charter Fund for charter school fees, indirect costs and operational costs funded from the General Fund.

⁽⁶⁾ Transfers out include contributions to the Adult Education, Charter and Child Development Funds from the General Fund.

⁽⁷⁾ Other sources reflect recovery of insurance proceeds to replace athletic facilities damaged by flooding at John F. Kennedy High School.

⁽⁸⁾ The adopted budget is developed every June. The prior fiscal year is not yet closed so the budgeted beginning fund balance is an estimate. By the time estimated actuals are prepared, the prior fiscal year is closed and the audited beginning fund balance is known. 2017-18 actual ending fund balance was \$70.5 million.

⁽⁹⁾ Beginning fund balance for fiscal year 2019-20 is based on ending fund balance in estimated actuals for fiscal year 2018-19.

Source: The District.

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 may issue tax and revenue anticipation notes. The District's notes are a general obligation of the District, payable from the District's general fund and any other lawfully available moneys. The District does not expect to issue a Tax and Revenue Anticipation Note in fiscal year 2019-20.

General Obligation Bonds. On October 19, 1999, voters in the District approved by a two-thirds vote a bond measure authorizing the District to issue \$195,000,000 in general obligation bonds, known locally as "Measure E." The District issued \$50,000,000 of the Measure E bonds on March 1, 2000 (the "**Series 2000 Bonds**"), \$45,000,000 of the Measure E bonds on April 11, 2001 (the "**Series 2001 Bonds**"), \$45,000,000 of the Measure E bonds on May 16, 2002 (the "**Series 2002 Bonds**"), and \$55,000,000 of the Measure E bonds on August 5, 2004 (the "**Series 2004 Bonds**"). The District refunded a portion of the Series 2001 Bonds and the Series 2002 Bonds with the issuance of its 2011 General Obligation Refunding Bonds (the "**2011 Refunding Bonds**") on June 30, 2011. The District also applied a portion of the proceeds of its 2012 General Obligation Refunding Bonds (the "**2012 Refunding Bonds**") to refund a portion of the Series 2001 Bonds, the Series 2002 Bonds and the Series 2004 Bonds on June 14, 2012. There is no remaining unissued authorization under Measure E, and the 2011 Refunding Bonds and 2012 Refunding Bonds remain outstanding.

On November 5, 2002, voters in the District approved by 55% or more a bond measure authorizing the District to issue \$225,000,000 in general obligation bonds, known locally as "Measure I." The District issued \$80,000,000 of the Measure I bonds on March 25, 2003 (the "**Series 2002 Measure I Bonds**"), \$80,000,000 of the Measure I bonds on July 19, 2005 (the "**Series 2005 Bonds**"), and \$64,997,966.35 of the Measure I bonds on November 14, 2007 (the "**Series 2007 Bonds**"). The District applied a portion of the proceeds of its 2012 Refunding Bonds to refund the Series 2002 Measure I Bonds. The District refunded a portion of the Series 2005 Bonds with the issuance of its 2014 General Obligation Refunding Bonds (the "**2014 Refunding Bonds**") on January 30, 2014, and refunded the remaining outstanding Series 2005 Bonds and a portion of the outstanding Series 2007 Bonds with the issuance of its 2015 General Obligation Refunding Bonds (the "**2015 Refunding Bonds**") on January 28, 2015. There is no remaining unissued authorization under Measure I, and a portion of the Series 2007 Bonds, together with the 2012 Refunding Bonds, the 2014 Refunding Bonds and the 2015 Refunding Bonds, remain outstanding.

On November 6, 2012, voters in the District approved by 55% or more two bond measures known locally as "Measure Q" and "Measure R." Measure Q authorizes the District to issue \$346,000,000 in general obligation bonds. Measure R authorizes the District to issue \$68,000,000 in general obligation bonds. The District issued \$30,000,000 of Measure Q and Measure R bonds on July 16, 2013 (the "**Series 2013A Bonds**"), \$40,000,000 of Measure Q and Measure R bonds on July 16, 2013 (the "**Series 2013B Bonds**"), \$66,260,000 of Measure Q bonds on June 4, 2015 (the "**Series 2015 C-1 Bonds**"), \$23,740,000 of Measure Q bonds on June 4, 2015 (the "**Series 2015 C-2 Bonds**"), \$14,000,000 of Measure Q bonds on June 8, 2016 (the "**Series 2016D Bonds**"), \$112,000,000 of Measure Q bonds on May 11, 2017 (the "**Series 2017E Bonds**"), \$10,000,000 of Measure R bonds on May 11, 2017 (the "**Series 2017C Bonds**") and \$10,000,000 of Measure Q bonds on July 25, 2018 (the "**Series 2018F Bonds**"). All of such bonds remain outstanding. Prior to the issuance of the Bonds, \$97,100,000 of the Measure Q authorization and \$30,900,000 of the Measure R authorization remain unissued.

The District’s outstanding general obligation bonds as of October 1, 2019 are summarized in the table below. Approximately \$[_____] million of the District’s general obligation bonds remain outstanding, not including the Bonds.

<u>Issue Name</u>	<u>Issuance Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
2011 Refunding Bonds	06/30/2011	\$ 79,585,000	
2012 Refunding Bonds	06/14/2012	113,245,000	
Series 2007	11/14/2007	64,997,966	
Series 2013A	07/16/2013	30,000,000	
Series 2013B	07/16/2013	40,000,000	
2014 Refunding Bonds	01/30/2014	44,535,000	
2015 Refunding Bonds	01/28/2015	32,740,000	
Series 2015 C-1	06/04/2015	66,260,000	
Series 2015 C-2	06/04/2015	23,740,000	
Series 2016D	06/08/2016	14,000,000	
Series 2017C	05/11/2017	112,000,000	
Series 2017E	05/11/2017	10,000,000	
Series 2018F	07/25/2018	10,000,000	

Source: The District.

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

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

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

On January 16, 2014, \$44,825,000 of Lease Revenue Refunding Bonds, 2014 Series A, were issued by the Sacramento City Schools Joint Powers Financing Authority (the “**Authority**”), simultaneously with \$29,460,000 of Lease Revenue Refunding Bonds, 2014 Series B, issued by the Authority by private placement (collectively, the “**Lease Revenue Bonds**”), to prepay all outstanding 2001 COPs and to purchase all outstanding 2002 Variable Rate COPs on March 1, 2014, the date that the SIFMA Term Floater Rate Mode was scheduled to expire and the date the 2002 Variable Rate COPs became subject to mandatory tender (the “**Mandatory Tender Date**”). The District purchased all outstanding 2002 Variable Rate COPs on the Mandatory Tender Date with a portion of the proceeds of the Lease Revenue Bonds. The final maturity date for the Lease Revenue Bonds is March 1, 2040. The minimum base rental payment is \$3,147,750 in 2039 and the maximum base rental payment is \$5,529,383 in 2028.

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 200,000	\$1,172,194	\$1,372,194
2020	200,000	1,164,014	1,364,014
2021	200,000	1,155,834	1,355,834
2022	200,000	1,147,654	1,347,654
2023	200,000	1,139,474	1,339,474
2024-2028	11,075,000	5,182,644	16,257,644
2029-2033	16,585,000	1,810,050	18,395,050
Total	\$28,660,000	\$12,771,864	\$41,431,864

Source: The District.

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

Capital Leases. 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, 2018, the schedule of future minimum lease payments was as follows:

<u>Year Ending June 30</u>	<u>Capital Lease Payments</u>
2019	\$32,405
2020	2,866
Total Payments	\$35,271
Less: Amount Representing Interest	(808)
Net Minimum Lease Payments	\$34,463

Source: The District.

Labor Relations

For fiscal year 2019-20, the District budgets to employ approximately 3,671.9 full time equivalent (“FTE”) employees, which includes 2,187.7 certificated (credentialed teaching) employees, 1,219.9 FTE classified (noninstructional) employees, and 264.3 supervisory/other personnel. District employees are represented by employee bargaining units as shown in the following table:

**Sacramento City Unified School District
Labor Organizations**

<u>Labor Organization</u>	<u>FTE Employees Represented⁽¹⁾</u>	<u>Contract Expiration</u>
Sacramento City Teachers Association	2,266.06	June 30, 2019
Service Employees International Union	1,323.48	June 30, 2020
United Professional Educators	133.00	June 30, 2019
Teamsters	99.00	June 30, 2020
Total	3,821.54	

⁽¹⁾ Currently in negotiations.
Source: The District.

Currently, four out of five District labor unions have initiated contract negotiations with the District and formed a labor-management consortium (“**LMC**”) focused on reducing spending on benefits. The LMC is made up of SEIU 1021, United Professional Educators, Teamsters Local 150 and Classified Supervisors. Leaders of the Sacramento City Teachers Association (“**SCTA**”) have not yet accepted the invitation to join the LMC, nor have they attended the contract negotiations in person. The negotiations encompass review of the District’s current health plan and other postemployment benefits. The District cannot predict the outcome or effect that such negotiations will have on its operations or budget. See “**RISK FACTORS – District Financial Risks – Budgetary Risks – Labor Agreements.**”

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, and CalPERS, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For 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 part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implemented a new funding strategy for CalSTRS and increased the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. AB 1469 increased member contributions, which were previously set at 8.0% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. The State’s total contribution also increased from approximately 3.0% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually 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.

On February 1, 2017, the State Teachers’ Retirement Board voted to adopt revised actuarial assumptions reflecting members’ increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from

7.25% to a 7.0% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.0% to a 2.75% price inflation factor.

As of June 30, 2018, an actuarial valuation (the “**2018 CalSTRS Actuarial Valuation**”) for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$107.2 billion, a decrease of approximately \$0.1 billion from the June 30, 2017 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2018, June 30, 2017, June 30, 2016 and June 30, 2015, based on the actuarial assumptions, were approximately 64.0%, 62.6%, 63.7% and 68.5%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The following are certain of the actuarial assumptions set forth in the 2018 CalSTRS Actuarial Valuation: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2018 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPR (as defined herein). See “—California Public Employees’ Pension Reform Act of 2013” below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. 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, school 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 actuarial valuation as of June 30, 2016 stated that the aggregate contribution rate as of June 30, 2017, inclusive of an equivalent rate contribution of 10.219% from members, 8.000% from employers relating to the base rate, 0.250% from employers based on the sick leave rate, 10.096% from employers based on the supplemental rate, 1.881% from the State based on the base rate and 4.021% from the State based on the supplemental rate is equivalent to 34.467%.

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

Effective Date (July 1)	School District Contribution Rate
2018	16.28%
2019 ⁽¹⁾	17.10
2020 ⁽¹⁾	18.40

⁽¹⁾ Pursuant to 2019-20 State Budget.
Source: Assembly Bill 1469.

The following table sets forth the District’s total employer contributions to CalSTRS for fiscal years 2011-12 through 2017-18, the estimated contribution for fiscal year 2018-19, and the budgeted contribution for fiscal year 2019-20.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Contributions to CalSTRS for Fiscal Years 2011-12 through 2019-20

Fiscal Year	Contribution
2011-12	\$14,823,475
2012-13	14,075,308
2013-14	14,021,893
2014-15	15,447,858
2015-16	19,820,280
2016-17	24,828,643
2017-18	29,172,733
2018-19 ⁽¹⁾	35,911,088
2019-20 ⁽²⁾	38,983,878

⁽¹⁾ Estimated from Unaudited Actuals for fiscal year 2018-19.

⁽²⁾ Budgeted.

Source: The District.

The District's total employer contributions to CalSTRS for fiscal years 2011-12 through 2018-19 were equal to 100% of the required contributions for each year. 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. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

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

CalPERS. The District also participates in CalPERS for all full-time and some part-time classified employees. 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. 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.

The CalPERS Schools Actuarial Valuation as of June 30, 2018 indicates that the funded ratio as of June 30, 2018 is approximately 70.4% on a market value of assets basis. The funded ratio, on a market value basis, as of June 30, 2017, June 30, 2016, June 30, 2015, and June 30, 2014, was 72.1%, 71.9%, 77.5%, and 86.6%. In April 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 employed 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 were delayed until fiscal year 2015-16 for the State, schools and all public agencies, have increased contribution rates in the near term but are expected to lower contribution rates in the long term. In November 2015, the CalPERS Board of Administration approved a proposal pursuant to which the discount rate would be reduced by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the then-current discount rate of 7.5% by at least four percentage points. In December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5% to 7.375% for fiscal year 2017-18, 7.25% for fiscal year 2018-19, and 7.0% beginning fiscal year 2019-20. The new discount rates will take effect beginning July 1, 2017 for the State and July 1, 2018 for school districts. The change in the assumed rate of return is expected to result in increases in the District's normal costs and unfunded actuarial liabilities.

In February 2014, the CalPERS Board of Administration adopted 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 applied the assumptions beginning with the June 30, 2015 valuation for the schools pool, which was used to establish employer contribution rates for fiscal year 2016-17. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9.0% of payroll for safety employees and up to 5.0% 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. In April 2016, CalPERS approved an increase to the contribution rate for school districts from 11.847% during fiscal year 2015-16 to 13.888% during fiscal year 2016-17. In April 2017, CalPERS adopted an employer contribution rate of 15.531% for the schools pool and a member contribution rate of 6.5% for school employees subject to PEPRA for the period of July 1, 2017 to June 30, 2018.

On June 27, 2019, CalPERS informed school employers that the employer and employee pension contribution rates approved by the CalPERS Board of Administration on April 17, 2019 were modified by Senate Bill 90 and codified at Section 20825.2 of the State Government Code. The employer contribution rate for fiscal year 2019-20 will be 19.721%, representing a reduction of 1.012% in the employer contribution rate from the 20.733% adopted by the CalPERS Board on April 17, 2019. The employer contribution rate of 19.721% for fiscal year 2019-20 will be the first fiscal year that employer contributions are impacted by the new demographic assumptions adopted by the CalPERS Board in December 2017. The 19.721% contribution rate will become effective with the first payroll period beginning July 2019. In April 2019, the CalPERS Board projected that employer contributions for fiscal year 2020-21 would be 23.6%, with annual fluctuations thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26. The CalPERS Board stated that these employer contribution rates reflect not only the new demographic assumptions, but also changes in the discount rate, inflation rate and payroll growth rate, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date. The CalPERS Board anticipates that information about the risks associated with the funding of these plans will be included in the CalPERS valuation report expected to be released during summer 2019.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2011-12 through 2017-18, the estimated contribution for fiscal year 2018-19, and the budgeted contribution for fiscal year 2019-20:

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Contributions to CalPERS for Fiscal Years 2012-13 through 2019-20**

Fiscal Year	Contribution
2011-12	\$ 6,640,921
2012-13	6,381,013
2013-14	6,471,351
2014-15	6,954,207
2015-16	7,577,683
2016-17	9,180,596
2017-18	11,256,216
2018-19 ⁽¹⁾	13,259,325
2019-20 ⁽²⁾	13,862,311

⁽¹⁾ Estimated from Unaudited Actuals for fiscal year 2018-19.

⁽²⁾ Budgeted.

Source: The District.

The District's total employer contributions to CalPERS for fiscal years 2011-12 through 2018-19 were equal to 100% of the required contributions for each year. 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. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

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

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "**Reform Act**" or "**PEPRA**") into law on September 12, 2012. The Reform Act affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the "**Implementation Date**"). As it pertains to CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age, increasing the eligibility for the 2.0% "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 2.0% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

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

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make (except as already announced). CalSTRS and CalPERS liabilities are more fully described in APPENDIX C – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018." The District is not permitted to pay down its portion of retirement liability for CalSTRS or CalPERS.

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("**Statement Number 67**"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("**Statement Number 68**"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements changed how governments calculated and reported the costs and obligations associated with pensions. Statement Number 67 replaced the requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 68 replaced the requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replaced the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes included: (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. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15.

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. CalSTRS and CalPERS are more fully described in Notes 8 and 9 to the District's financial statements attached hereto as APPENDIX C – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Other Post-Employment Benefits. In addition to the retirement plan benefits with CalSTRS and CalPERS, the District provides post-employment health care benefits to eligible employees and their dependents under a single employer defined benefit other post-employment benefit ("OPEB") plan (the "Plan"). Membership in the Plan consists of 3,114 retirees and beneficiaries currently receiving benefits and 4,379 active plan members.

In 2017, the District implemented GASB Statement Number 75 ("Statement Number 75"). Under Statement Number 75, net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service ("total OPEB liability"), less the amount of the OPEB plan's fiduciary net position. For the year ended June 30, 2018, the District's total OPEB liability was \$780,518,410, its net OPEB liability was \$725,760,458, and its recognized OPEB expense was \$41,814,704.

For additional information about the District's Plan, as well as information regarding the actuarial study of retiree health liabilities, see Note 10 to the District's financial statements attached hereto as APPENDIX C – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

The District established an irrevocable trust under the California Employer's Retiree Benefit Trust Program ("CERBT"). The funds in the CERBT are held in trust and will be administered by CalPERS. The District contributed funds to the CERBT in the total recognized actuarial value of approximately \$54.8 million as of fiscal year ending June 30, 2018. Any additional assets contributed to the CERBT will be applied to offset the Accrued Actuarial Liability and decrease the Unfunded Accrued Actuarial Liability as of the District's next valuation report. The CERBT balance as of June 30, 2019 is \$86.4 million, which includes fiscal year 2018-19 contributions of \$9.0 million.

Accrued Vacation. The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2018, was \$4.2 million.

Restricted Maintenance Reserve Account

As a condition to receiving State modernization or construction funds, the District has agreed to fund a restricted maintenance reserve account in the general fund each year for 20 years. For fiscal year 2019-20, the minimum amount required to be deposited into the account is the lesser of 3% of the total general fund expenditures for that fiscal year, or the amount the District deposited into the account in fiscal year 2018-19. For fiscal year 2019-20, the District has budgeted to fund a maintenance reserve contribution of approximately \$16.4 million or 3% of the general fund expenditures.

Insurance, Risk Pooling and Joint Powers Arrangement

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

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended

purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability and (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. Independent charter schools receive their funding directly from the State and are not included in a school district's financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would be included in the school district's financial reports and audited financial statements.

Fifteen charter schools authorized by the District currently operate in the District's boundaries, five of which are dependent and ten of which are independent. For the independent 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 2019-20, the District has budgeted to make in-lieu payments in an amount equal to approximately \$12.1 million.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, State 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.

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

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

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

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed at \$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 State Constitution

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

In fiscal year 2018-19, the District had an appropriations limit of approximately \$275.5 million and appropriations subject to such limit of \$275.5 million. The District has budgeted an appropriations limit in fiscal year 2019-20 of approximately \$283.0 million. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State’s allowable limit.

Article XIII C and Article XIII D of the State 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 State Constitution Articles XIII C and XIII D (“**Article XIII C**” and “**Article XIII D**,” respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

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

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

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

in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

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

Proposition 30 and Proposition 55

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State’s income taxpayers by one to three percent for a period of seven years from January 1, 2012 through the end of 2018, and (b) increased the sales and use tax by one-quarter percent for a period of four years from January 1, 2013 through the end of 2016. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see “– Proposition 98 and Proposition 111” above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the “**Education Protection Account**”), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative (“**Proposition 55**”), approved by voters on November 8, 2016, extends by twelve years the temporary personal income tax increases on incomes over \$250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales tax increases imposed by Proposition 30. Revenues from the tax increase will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

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

Proposition 2

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

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year’s deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year’s deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multi-year budget forecast; and (vi) create a Proposition 98 reserve (the “**Public School System Stabilization Account**”) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The

State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

The 2019-20 State Budget includes a constitutionally required deposit into the Public School System Stabilization Account in the amount of \$376.5 million. Such deposit to the Public School System Stabilization Account does not initiate any school district reserve caps under SB8 858 or SB 751 (described below), as the amount in the Public School System Stabilization Account (which is equal to the fiscal year 2019-20 deposit) is not equal to or greater than 3% of the total K-12 of the Proposition 98 guarantee (approximately \$2.1 billion).

SB 858. SB 858 became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the State 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 State 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 a minimum amount of 2% of its general fund expenditures and other financing uses.

SB 751. SB 751, enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 2, 30, 55, 62, 98, 111 and 218 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

APPENDIX B

THE ECONOMY OF THE DISTRICT

The District encompasses a large portion of the City of Sacramento (the “City”), small portions of the cities of Rancho Cordova and Elk Grove, and adjacent unincorporated areas of Sacramento County. The following economic data for the City and County are presented for information purposes only. The Bonds are not a debt or obligation of the City or the County, and taxes to pay the Bonds are levied only on taxable property located within the District. Neither the District nor the Underwriter takes responsibility for the information herein.

Population

The population of the City and County from 2000 through 2019 is provided in the table below.

POPULATION GROWTH City of Sacramento and County of Sacramento 2000 through 2019

Year	City of Sacramento		County of Sacramento	
	Population	Annual % Change	Population	Annual % Change
2000	407,018	–	1,223,499	–
2001	412,918	1.4%	1,248,072	2.0%
2002	423,084	2.5	1,279,588	2.5
2003	429,918	1.6	1,307,189	2.2
2004	436,799	1.6	1,331,910	1.9
2005	442,662	1.3	1,350,523	1.4
2006	445,774	0.7	1,365,214	1.1
2007	452,711	1.6	1,380,172	1.1
2008	458,965	1.4	1,394,510	1.0
2009	463,633	1.0	1,406,168	0.8
2010	466,488	0.6	1,418,788	0.9
2011	470,310	0.8	1,432,359	1.0
2012	473,175	0.6	1,444,950	0.9
2013	474,949	0.4	1,456,502	0.8
2014	478,518	0.8	1,466,877	0.7
2015	483,303	1.0	1,484,379	1.2
2016	486,154	0.6	1,498,127	0.9
2017	493,771	1.6	1,515,015	1.1
2018	500,724	1.4	1,530,242	1.0
2019	508,172	1.5	1,546,174	1.0

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, 2011–2019, with 2010 Census Benchmark for City and County of Sacramento for years 2010-2019.

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 2012 through 2017⁽¹⁾

Industry	Employment ⁽²⁾					
	2012	2013	2014	2015	2016	2017
Agriculture	2,600	2,600	2,600	2,600		
Mining & Logging	200	200	200	200		
Construction	22,800	27,000	28,600	30,700		
Manufacturing	21,300	20,800	20,900	20,900		
Transportation, Warehousing & Public Utilities	12,300	13,000	13,000	13,700		
Information	11,600	11,300	10,000	10,100		
Financial Activities	30,900	31,500	30,900	32,800		
Professional and Business Services	83,100	85,900	89,400	87,800		
Education and Health Services	71,400	88,700	94,400	98,500		
Leisure and Hospitality	50,300	53,200	56,100	58,200		
Other Services	19,500	19,500	20,300	20,700		
Government	156,300	156,200	160,700	162,700		
Total	482,300	509,900	527,100	538,900		

⁽¹⁾ Most current information available.

⁽²⁾ Employment is reported by place of work: it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not sum to totals due to rounding.

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

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
County of Sacramento
Annual Averages, 2001 through 2018

Year	Civilian Labor Force	Employed Labor Force ⁽¹⁾	Unemployed Labor Force ⁽²⁾	Unemployment Rate ⁽³⁾
2001	624,700	596,400	28,300	4.5%
2002	645,500	609,000	36,500	5.7
2003	657,000	618,300	38,700	5.9
2004	661,600	624,400	37,200	5.6
2005	665,600	632,500	33,100	5.0
2006	670,500	638,600	31,900	4.8
2007	676,800	640,000	36,800	5.4
2008	680,500	631,700	48,800	7.2
2009	681,700	605,000	76,800	11.3
2010	684,700	597,700	87,000	12.7
2011	680,700	598,600	82,000	12.1
2012	682,900	611,400	71,400	10.5
2013	680,000	620,200	59,800	8.8
2014	679,700	630,400	49,300	7.3
2015	689,000	647,600	41,400	6.0
2016	707,400	669,200	38,200	5.4
2017				
2018				

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

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

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

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

Major Employers

The table below represents the largest employers in the City as set forth in the City of Sacramento Comprehensive Annual Financial Report for fiscal year ended June 30, 2018.

LARGEST EMPLOYERS City of Sacramento

<u>Company</u>	<u>Type of Business</u>	<u>Employees</u>
State of California	Government	75,801
UC Davis Health System	Healthcare	12,840
Sacramento County	Government	12,208
Kaiser Permanente	Healthcare	11,005
U.S. Government	Government	10,325
Sutter Health	Healthcare	8,177
Dignity Health	Healthcare	7,000
Elk Grove Unified School District	Education	6,210
Intel Corporation	Technology	6,000
Apple, Inc.	Technology	5,000

Source: City of Sacramento Comprehensive Annual Financial Report for fiscal year ended June 30, 2018.

Construction Activity

The following tables provide a summary of annual estimated building permit valuations and number of residential building permits for calendar years 2014 through 2018, for the City and for the County.

BUILDING PERMIT ACTIVITY City of Sacramento 2014 through 2018

	2014	2015	2016	2017	2018
Valuation (\$000)					
Residential	\$169,479	\$307,232	\$469,400		
Non-Residential	216,051	288,312	397,867		
TOTAL	\$385,530	\$595,544	\$867,268		
Dwelling Units					
Single Family	257	435	995		
Multiple family	160	813	601		
TOTAL	417	1,248	1,596		

Source: Construction Industry Research Board.

BUILDING PERMIT ACTIVITY County of Sacramento 2014 through 2018

	2014	2015	2016	2017	2018
Valuation (\$000)					
Residential	\$570,733	\$897,360	\$948,072		
Non-Residential	524,071	651,429	981,245		
TOTAL	\$1,094,804	\$1,548,789	\$1,929,317		
Dwelling Units					
Single Family	1,547	2,358	2,668		
Multiple family	226	815	609		
TOTAL	1,773	3,173	3,227		

Source: Construction Industry Research Board.

Commercial Activity

The following tables show taxable sales within the City and the County for 2012 through 2016.

TAXABLE SALES City of Sacramento 2012 through 2016 (\$000)

	2012	2013	2014	2015	2016
Motor Vehicle & Parts Dealers	\$338,082	\$388,898	\$397,302		
Home Furnishings & Appliance Stores	203,543	203,675	254,332		
Building Material & Garden Equipment	258,469	303,311	296,075		
Food & Beverage Stores	295,149	299,456	320,301		
Gasoline Stations	612,199	599,365	578,764		
Clothing & Clothing Accessories Stores	339,108	340,610	329,495		
General Merchandise Stores	504,732	513,841	505,521		
Food Service s& Drinking Places	762,531	796,733	848,980		
Other Retail Group	487,314	506,059	505,414		
Total Retail Stores	\$3,801,126	\$3,951,948	\$4,036,184		
All Other Outlets	1,670,192	1,752,173	1,827,038		
Total All Outlets ⁽¹⁾	\$5,471,319	\$5,704,121	\$5,863,222		

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

TAXABLE SALES
County of Sacramento
2012 through 2016
(\$000)

	2012	2013	2014	2015	2016
Motor Vehicle & Parts Dealers	\$2,266,802	\$2,586,596	\$2,797,532		
Furniture & Home Furnishings Stores	278,066	307,647	340,187		
Electronics & Appliance Stores	606,913	641,067	664,145		
Building Material & Garden Equipment	1,024,765	1,155,301	1,168,008		
Food & Beverage Stores	916,005	923,645	959,756		
Health & Personal Care Stores	412,707	420,284	425,648		
Gasoline Stations	1,935,830	1,899,358	1,857,065		
Clothing & Clothing Accessories Stores	855,369	905,514	921,913		
Sporting Goods, Hobby, Musical Instruments, & Book Stores	443,795	463,641	448,255		
General Merchandise Stores	2,076,421	2,124,820	2,157,986		
Miscellaneous Store Retailers	563,728	581,804	593,179		
Nonstore Retailers	132,031	214,417	244,464		
Food Services & Drinking Places	1,854,027	1,946,913	2,071,554		
Total Retail Stores	\$13,366,459	\$14,171,006	\$14,649,693		
All Other Outlets	5,723,389	5,926,089	6,412,208		
Total All Outlets⁽¹⁾	\$19,089,848	\$20,097,095	\$21,061,901		

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

Income

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

PER CAPITA PERSONAL INCOME 2000 through 2018

Year	Sacramento County	California	United States
2000	\$29,691	\$33,391	\$30,602
2001	31,018	34,091	31,540
2002	31,484	34,306	31,815
2003	32,685	35,381	32,692
2004	34,005	37,244	34,316
2005	35,184	39,046	35,904
2006	36,910	41,693	38,144
2007	37,938	43,182	39,821
2008	38,870	43,786	41,082
2009	38,085	41,588	39,376
2010	38,453	42,411	40,277
2011	40,098	44,852	42,453
2012	41,913	47,614	44,266
2013	42,676	48,125	44,438
2014	43,944	49,985	46,049
2015	46,539	53,741	48,112
2016			
2017			
2018			

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

PERSONAL INCOME
2000 through 2018
(in thousands)

Year	Sacramento County	Annual Percent Change
2000	\$36,518,147	-
2001	39,276,988	7.6%
2002	40,962,722	4.3
2003	43,423,556	6.0
2004	45,869,878	5.6
2005	47,878,798	4.44
2006	50,550,671	5.6
2007	52,398,021	3.7
2008	54,201,689	3.4
2009	53,647,258	(1.0)
2010	54,673,384	1.9
2011	57,564,251	5.3
2012	60,721,694	5.5
2013	62,440,643	2.8
2014	65,126,187	4.3
2015	69,870,482	7.3
2016		
2017		
2018		

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

APPENDIX C

**FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[To come]

APPENDIX E

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”), dated as of _____, 2019, is executed and delivered by the Sacramento City Unified School District (the “District”) in connection with the issuance of \$_____ aggregate principal amount of Sacramento City Unified School District General Obligation Bonds, Election of 2012 (Measure R), 2019 Series D (the “Bonds”). The Bonds are being issued pursuant to a resolution (the “Resolution”) adopted by the Board of Education of the District on August 15, 2019, a resolution of the Board of Supervisors of the County of Sacramento on October 8, 2019, and in accordance with the terms of a Paying Agent Agreement, dated as of [November] 1, 2019 (the “Paying Agent Agreement”), by and between the District and the County of Sacramento, as paying agent (the “Paying Agent”). The District covenants and agrees as follows:

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

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

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

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

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

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section 5(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“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>.

“Official Statement” shall mean the final official statement dated _____, 2019 relating to the Bonds.

“Participating Underwriter” shall mean 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), commencing with the Annual Report for the fiscal year of the District ending June 30, 2019 (which is due no later than April 1, 2020), provide to the Participating Underwriter and to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Paying Agent nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

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

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

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

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

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 Section 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;
7. Appointment of a successor or additional paying agent or the change of name of a paying agent; or
8. Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(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 Section 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.

(f) The District intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8), and the definition of “Financial Obligation” in Section 1, with reference to the rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

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(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

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

Date: _____, 2019

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Superintendent

EXHIBIT A

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

Name of Issuer: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

Name of Bond Issue: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2012 (MEASURE R), 2019
SERIES D

Date of Issuance: _____, 2019

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

Dated: _____

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____ [to be signed only if filed]

APPENDIX F

**COUNTY OF SACRAMENTO
INVESTMENT POLICY AND INVESTMENT 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. Neither the District nor the Underwriter takes responsibility for the information herein.

The Board of Supervisors (the “Board”) of the County last adopted an investment policy (the “County Investment Policy”) on December 4, 2018. 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. Neither the District nor the Underwriter gives 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.