



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 9.1

Meeting Date : March 1, 2012

Subject : Resolution No. 2687: Authorizing the Issuance and Sale of the
2011-12 Tax and Revenue Anticipation Notes (TRAN)

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

Division : Administrative Services

Recommendation :

Board of Education Executive Summary

Administrative Services

Approve Resolution No. 2687: Authorizing the Issuance and Sale of the 2011-12 Tax and Revenue Anticipation Notes (TRAN)

March 1, 2012

IV. Goals, Objectives and Measures:

Generate cash through a Tax Revenue Anticipation Note in order to maintain a positive cash flow at June 30, 2012

Financial advisor from KNN, have closely monitored cash and the potential of issuing a TRAN has been discussed with the Board in previous Board meetings.

V. Major Initiatives:

- Maintain positive cash flow through June 30, 2012.
- Continuous review of financial options available to the district.

VI. Results:

The successful marketing of the TRAN will address the potential impact of a negative cash flow at June 30, 2012. This is a step in addressing the district's short- and long-term financial plan.

VII. Lessons Learned/Next Steps:

- The attached documents are presented to the Board as an action item.
- #

BOARD OF EDUCATION
OF THE
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

RESOLUTION NO. 2687

RESOLUTION PROVIDING FOR THE BORROWING OF FUNDS FOR
FISCAL YEAR 2011-12 AND THE ISSUANCE AND SALE OF THE
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT 2011-12 TAX AND

new Notes (which the District shall prepare or cause to be prepared) shall be executed and delivered and registered in the name of such successor or such Substitute Depository, or its

Fund all amounts representing the proceeds of the Notes received from such sale, and all amounts held in the Note Proceeds Fund shall be invested by the Director of Finance in (i) any investments permitted by Sections 53601 and following of the Government Code, notwithstanding any limitations contained therein as to the maximum proportion of such funds which may be invested in any particular investment, (ii) in investment agreements with a provider or provider's guarantor that is rated "Aa" by Moody's Investors Service, or equivalent rating of any rating agency then rating the Notes, or (iii) in the Local Agency Investment Fund

568480(m)(3)(b)(i) 2.05649(i) 2.070.010(h) 2.08(e) 3.10(t) 2.03569(e) 9.0(qui) 1.082.(m) 2.810.3769(e) 9.12.87284(2)

Revenues for repayment of the Notes in up to five periodic deposits; provided, that the last such deposit of funds received in or accruing to Fiscal Year 2011-12 shall be made no later than the maturity date of the Notes. The Director of Finance is hereby requested to create and hold the

Purchase Agreement to be executed and delivered on behalf of the District, with such changes and revisions as the Authorized District Representative may require or approve.

The Note Purchase Agreement shall recite the aggregate principal amount, issuance date, maturity date and interest rate of the Notes and shall set forth the dates of deposit and amounts or proportions of Pledged Revenues to be deposited in the Repayment Fund on each such date, all as shall be agreed between the Authorized District Representative and the Underwriter at the time of sale of the Notes, and the Notes as finally executed and delivered shall conform in all respects with the terms recited in the Note Purchase Agreement.

Section 11. Preliminary Official Statement. The Preliminary Official Statement relating to the Notes, in substantially the form submitted to and on file with the Clerk of this Board of Education, is hereby approved and adopted as the Preliminary Official Statement of the District with respect to the Notes (the “Preliminary Official Statement”), with such additions, changes and corrections as the Authorized District Representative may require or approve, and the Financial Advisor is hereby authorized to distribute copies of such Preliminary Official Statement to persons who may be interested in purchasing the Notes. The Authorized District Representative is hereby authorized to certify, on behalf of the District, that the Preliminary Official Statement was deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Authorized District Representative is hereby authorized and directed for and in the name and on behalf of the

hereunder; provided, that any registered owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this section.

Section 15. Further Assurances. It is hereby covenanted and warranted by the District that all representations and recitals contained in this resolution are true and correct, and

EXHIBIT A

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

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2011-12 TAX AND REVENUE ANTICIPATION NOTE**

Note Date: _____, **2012** **CUSIP:** _____

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

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

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

_____ **DOLLARS**
(\$ _____)

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

_____, **2012**

together with interest thereon at the rate of

_____ **PERCENT** (_____ %)

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

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

It is hereby certified, recited and declared that this note is one of an authorized issue of notes entitled, "Sacramento City Unified School District 2011-12 Tax and Revenue Anticipation Notes" (the "Notes"), in the aggregate principal amount of \$ _____, all of like date, tenor and effect, issued under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code, and made,

executed and given pursuant to and by authority of a resolution (the “Resolution”) of the Board of Education of the District duly passed and adopted on _____, 2012), and subject to the more particular terms specified in the Note Purchase Contract executed on _____, 2012, by the Authorized District Representative. It is hereby further certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received for or which accrue to the General Fund of the District during Fiscal Year 2011-12 and which are lawfully available for the payment of current expenses and other obligations of the District (the “Unrestricted Revenues”). As security for the payment of the principal of and interest on this note and all Notes of said authorized issue, the District has pledged the Unrestricted Revenues which shall be deposited in the Repayment Fund in the following manner pursuant to the Note Purchase Contract: (i) an amount equal to ____ of the principal amount of the Notes from the first Unrestricted Revenues received by the District during the period ending _____, 2012 and (ii) an amount equal to ____ of the principal amount of the Notes, plus an amount sufficient (when all previous deposits and earnings on the Repayment Fund are taken into account) to pay all principal and interest with respect to the Notes, from the first Unrestricted Revenues received by the District during the period ending _____, 2012 which accrue to the District’s General Fund in Fiscal Year 2011-12. The amounts pledged by the District for deposit into the Repayment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the “Pledged Revenues”, and the principal of and the interest on this note and all Notes of said authorized issue shall constitute a first lien and charge thereon and shall be payable therefrom, and to the extent not so paid shall be paid from any other money of the District lawfully available therefor.

[This note is not subject to (or) 2.9(.)] TJ ET h(a)4.0(nd<2.9(e)4.0(9(i.3pt(e)4.02)-2.0(1)-

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is one of the Notes described in the within-mentioned Resolution, which Note has been registered on _____, 2012.

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

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned registered note and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books

CLERK'S CERTIFICATE

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

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly held at the regular meeting place thereof on March 1, 2012, of which meeting all of the members of said Board of Education had due notice and at which a quorum thereof was present; and at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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

I further certify that said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand this ____ day of _____, 2012.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____

Clerk of the Board of Education
Sacramento City Unified School District

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

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\$(PAR AMOUNT) *

The day-to-day operations are managed by a board-appointed Superintendent of Schools. Jonathan Raymond was appointed Superintendent on July 23, 2009 and his term commenced on August 21, 2009. Jonathan Raymond previously served as chief accountability officer for Charlotte-Mecklenburg Schools in North Carolina. Patricia Hagemeyer is currently employed by the District as the Chief Business Officer. She has worked for the District for 31 years in a variety of business positions.

Bankruptcy Risks

The opinion of Bond Counsel, attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights. Bankruptcy of the County or the District could affect the security of the owners of the Notes and the ability of an owner to be paid in a timely manner, or both.

Because the Director of Finance is in possession of the taxes and other revenues that the District has agreed to set aside to pay the Notes, and may deposit and invest these funds in the County's pooled investment fund, should the County go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the funds.

Estimated Sources and Uses of Funds

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

Sacramento City Unified School District
(County of Sacramento, California)
2011-12 Tax and Revenue Anticipation Notes
Sources and Uses of Funds

Sources of Funds

Principal Amount of Notes
Original Issue Premium
Total Sources

Uses of Funds

Net Deposit to Note Proceeds Fund

initiative constitutional amendment approved by the State's voters on November 2, 2010 as Proposition 25, a budget must be adopted by a majority vote of each house of the Legislature no later than June 15, although the deadline has been routinely breached in the past. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget.

When the State budget is not adopted on time, basic appropriations and the categorical funding portions of each district's State funding are affected differently. Under the rule of *Wheeler v. State* (also referred to as *Wheeler*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriation 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

2011-12 State Budget. The Governor signed the fiscal year 2011-12 State budget (the 2011-12 State Budget) on June 30, 2011. The 2011-12 State Budget closes a \$26.6 billion budget gap with \$15.0 billion expenditure reductions, \$0.9 billion in targeted revenue increases, \$8.3 billion in an improvement in the State revenue outlook and \$2.9 billion in new loans and transfers.

The 2011-12 State Budget recognizes that school funding has been disproportionately reduced since fiscal year 2007-08 and initially maintained Proposition 98 funding for K-12 programs at similar levels for fiscal year 2011-12 as is in effect for fiscal year 2010-11. However, revenues are projected to fall short by more than \$2 billion of the revenues forecasted in the 2011-12 State Budget, triggering a first round of cuts built in to the state budget should revenue fall below what lawmakers planned. The additional \$1.9 billion in education reductions could result in shortening the school year by seven days, eliminating the home-to-school transportation program and reducing community college apportionments (~~to~~ below).

Shift in mental health services from counties to school districts The 2011-12 State Budget
rebenches the Proposition 98 guarantee and provides an increase of \$221.8 million Proposition 98
general fund to shiftacrtohopob.4(it)95.1(m)sht cA.0(d)-295.1(p)-5.9(r)-4.3(o)-5.9(v).7(n)-

Proposed 2012-13 State Budget.

Certain major workload adjustments for K-12 programs included in the 2012-13 Proposed State Budget include the following:

Cost-of-Living Adjustment Increase The 2012-13 Proposed State Budget does not provide a cost-of-living-adjustment (COLA) for any K-14 program in fiscal year 2012-13. The projected COLA for fiscal year 2012-13 is 3.17%, which would have provided a \$1.8 billion increase to the extent Proposition 98 resources were sufficient to provide that adjustment.

Local Property Tax Adjustment An increase of \$196 million for school district and county office of education revenue limits in fiscal year 2011-12 as a result of lower offsetting property tax revenues, and an increase of \$627 million for school district and county office of education revenue limits in fiscal year 2012-13 as a result of reduced offsetting property tax revenues.

Average Daily Attendance A decrease of \$694 million in fiscal year 2011-12 for school district

categorical programs (excluding federally required programs such as special education) and revenue limit funding into a single source of funding. The formula will distribute these combined resources to school based on weight factors that account for the variability in costs of educating specific student populations, thereby ensuring

The 2012-13 Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2012-13 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot predict the impact that the 2012-13 Proposed State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2012-13 State budget will be affected by national and State economic conditions and other factors which the District cannot predict.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the Cash Management Bill). The Cash Management Bill authorized deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed \$2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). Similar legislation has been enacted for fiscal year 2011-12. The legislation, sets forth a specific deferral plan for K-12 education payments. In the legislation, both the July 2011 and August 2011 K-12 payments of \$1.4 billion are deferred and the October 2011 payment of \$2.4 billion is deferred. In September 2011, \$700 million of the July deferral is to be paid in January 2012, \$4.5 billion from the remaining July, August and October deferrals are paid, and in March 2012, \$1.4 billion is to be deferred and paid in April 2012. [The District is authorized to temporarily borrow from among its other funds to cover its annual cash flow deficits and, as a result of this legislation, the District expects to increase the size of its cash flow borrowings in fiscal year 2011-12.]

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State 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 agency

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 the successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various tax agencies pursuant to AB1X 26.

AB1X 26 requires each successor agency to continue to make payments on enforceable obligations of the former redevelopment agencies. 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. The initial enforceable obligation payment schedule will be 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 Fiscal Year 2009-10 from cities, counties, and special districts to the State to offset S

The District's undeficit base revenue limit per A.D.A. is projected to be \$6,494 for fiscal year 2011-12,

salary. The State is required to contribute as well. The District's employer contribution to STRS from the general fund was \$15.3 million for fiscal year 2010-11 and is projected at \$13.9 million in fiscal year 2011-12.

The District also participates in the California Public Employees' Retirement System (CalPERS) for all full-time and some part-time classified employees. The District is required to contribute toward CalPERS, at a State-determined percentage of CalPERS-eligible salaries. For fiscal year 2010-11, the contribution percentage was 10.707%. For fiscal year 2011-12, the contribution percentage is 10.923%. In the current budget year, the contribution is projected at \$5.1 million, compared to a fiscal year 2010-11 General Fund expense of \$6.4 million.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. STRS and CalPERS liabilities are more fully described in APPENDIX B FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011, Note 9.

Post-Employment Benefits. In addition to the pension benefits described above, the District provides post-employment health benefits for eligible employees who retire early and certain of their dependents. The amount and length of these benefits depends on a variety of factors, including age at retirement, length of service, and status as a certificated, classified, or non-certificated employee. (g)-31end

Summary of District Revenues and Expenditures

The table on the following page summarizes the District's general fund revenue, expenditures and fund balances from fiscal years 2007-08 through fiscal year 2011-12 (projected). See SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS - District Budget Process and County Review herein for a general description of the annual budget process for State school districts. The District's audited financial statements year ending June 30, 2011, are reproduced in Appendix B. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District's Board of Trustees by September 15, and the audit report must be filed with the County of Sacramento Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain v.1(a)-1.7(t39o)-5.90(tai)-137.1(J)-8.5(u)

Proceeds from capitalized lease obligations			47,411	15,977	
TOTAL	<u>\$2,317,169</u>	<u>\$7,340,438</u>	<u>\$(11,294,734)</u>	<u>\$2,982,503</u>	<u>\$2,930,254</u>

Excess of Revenue/Other Sources

Exhibit I

Sacramento City Unified School District
2011-12 Cash Flow
General Fund

[To Come]

Exhibit II

Sacramento City Unified School District
Projected 2012-13 Cash Flow
General Fund
(Including TRAN Proceeds)

[To Come]

District Debt Structure

Tax and Revenue Anticipation Notes. To address predictable annual cash flow deficits resulting from the different timing of revenues and expenditures, the District has issued tax and revenue anticipation notes in recent year as shown in the table below. The District's notes are a general obligation of the District, payable from the District's general fund and any other lawfully available moneys.

<u>Issuance Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Due Date</u>
12/01/05	\$25,000,000	4.50%	3.15%	12/01/06
12/14/06	24,475,000	4.00	3.30	12/14/07
11/28/07	30,000,000	3.75	3.27	11/28/08
05/11/11	50,000,000	2.25	1.875	11/02/11

On October 19, 1999, voters in the Sacramento City Unified School District approved a bond measure authorizing the district to issue \$195,000,000 in general obligation bonds, colloquially known as Measure E bonds. The District sold \$50,000,000 of the Measure E bonds on February 10, 2000, \$45,000,000 of the Measure E bonds on March 27, 2001, \$45,000,000 of the Measure E bonds on May 7, 2002, and \$55,000,000 of the Measure E bonds on August 1, 2004.

On November 2, 2002, voters in the Sacramento City Unified School District approved a bond measure

On March 14, 2011, the District remarketed the 2002 Variable Rate Demand Certificates in the aggregate principal amount of \$48,020,000, maturing on March 1, 2040. The District caused the mandatory tender of the COPs to convert the interest rate from a weekly rate to a SIFMA Term Floater Rate.

Scheduled payments for the COPs are as follows:

Year Ending June 30,	COPs Payments
2012	\$3,036,795
2013	3,055,895
2014	3,071,175
2015	3,083,075
2016	3,101,495
2017-2021	15,832,325
2022-2026	17,528,750
2027-2031	22,065,000
Thereafter	<u>33,025,000</u>
Total payments	\$103,799,510
Less: Interest Portion	<u>(20,914,510)</u>
Net Minimum Payments	<u>\$82,885,000</u>

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

Capital Financing Plan

The District has completed a Facilities Master Plan to determine district-wide facilities needs and identify

students originating in the District in facilities comparable to those provided to regular District students. Two charter schools currently operate in the District's boundaries, four of which are dependent and eight of which are directly funded. As to the directly-funded schools, the District pays revenue in lieu of property taxes up to the revenue limit for charter students originating within the District. For fiscal year 2011-12, the District expects to make in-lieu payments in an amount equal to approximately \$5.2 million.

Total charter school attendance is projected to be approximately 4,447 for fiscal year 2011-12.

Capital Lease

The District leases office equipment, computers and buses under long-term lease purchase agreements payable from the general fund of the District. In accordance with generally accepted accounting principles, the District capitalizes these lease purchase agreements within the General Long-Term Debt Account Group. As of June 30, 2011, the schedule of lease payments was as follows:

<u>Year Ending June 30</u>	<u>Capital Lease Payments</u>
2012	\$16,696
2013	16,696
2014	16,696
2015	<u>2,553</u>
Total Payments	\$52,641
Less: Interest Portion	<u>(3,206)</u>
Net Minimum Lease Payments	<u><u>\$49,435</u></u>

CASA Pension Program and Pension Program Revenue Bonds

Formation of CASA and the Pension System: In June 2000, the District entered into a joint exercise of powers agreement with the Yolo County Office of Education to form the California Administrative Services Authority (CASA), a State joint powers authority, in order to provide administrative services to its members and to offer an alternative retirement system to replace CalPERS and Social Security for certain electing District classified personnel. See District Expenditures above. In order to participate in the

CASA. The retroactive adjustments have been completed and payment to CALPERS for the additional service credit has been made.

SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Sacramento County Superintendent of Schools (the County Superintendent).

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget in compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

A State law adopted in 1991 (A.B. 1200) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fi276.9(269.3(2.5(t)-11.1(io)-5.ia)-8(p

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance

Expenditures and Appropriations

Article XIII B of the California Constitution. In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments subject to an annual appropriations limit or Gann Limit imposed by Article XIII B of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIII B approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to proceeds of taxes, which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that proceeds exceed the cost reasonably borne by such entity in providing the regulation, product or service. Proceeds of taxes excludes tax refunds and some benefit payments such as unemployment insurance. No limit imposed on the appropriation of funds which are not proceeds of taxes, such as reasonable user charges or fees and certain other non-tax funds.

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

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

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

In fiscal year 2010-11, the District had an appropriations limit of \$237,389,496 and appropriations subject to the limit of \$233,222,740. For fiscal year 2011-12, the District's appropriations limit is budgeted at 244,224,000.

Future Initiatives. Articles XIII A, XIII B, XIII C, and XIII D, and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process.

LOCAL PROPERTY TAXATION

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2011-12 assessed value of approximately \$25.7 billion. All property (real, personal and intangible) is taxable unless an exemption is granted by the State Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Although most taxable property is assessed by the assessor of the county in which the property is located, some special classes of property are assessed by the State Board of Equalization, as described below under the heading, State-Assessed Property.

For basic aid districts, the State will not make the district whole for loss of tax increment to the redevelopment agency unless and only to the extent that such loss reduces the district's local property tax revenue below the district's revenue limit. In addition, the basic aid district may be entitled to a pass-through payment from the redevelopment agency: for any redevelopment project plan adopted or amended after 1993, a basic aid district is entitled to its pre-plan share of taxes collected district-wide, plus the lesser of (i) property tax revenues from incremental growth in assessed valuation in that part of the district not included in the project area, and (ii) property tax revenues on 80% of the incremental growth in assessed valuation within the project area. For any redevelopment plan adopted before 1994 and not subsequently amended, either a revenue limit district or a basic aid district may continue to receive pass-through payments at the level negotiated with the redevelopment agency instead of the statutory pass-through; such payments do not count against the district's revenue limit for State

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 the ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues from utility property is allocated to local taxing agencies, including the District. So long as the District is a revenue limited district, any reduction in the District's property tax revenues for general operating purposes will be offset by an increase in State funding.

Appeals of Assessed Valuation.

Sacramento Unified School District	.0890	.0938	.0911	.0979	.0982
Total	\$1.0956	\$1.1012	\$1.1035	\$1.1069	\$1.1174

⁽¹⁾Total 2011-12 Assessed Valuation for TRA 3-005 is \$7,079,363,426.

Source: California Municipal Statistics, Inc.

Teeter Plan: The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the Teeter Plan), as provided for in Sections 4701 and following of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including the District, levying property taxes in the County receives the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected, with the credit funded from a reserve established and held by the County for this purpose. In return, the County receives and retains delinquent payments, penalties and interest collected, that would have been due the local agency.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or, unless, prior to the commencement of any subsequent fiscal year, the Board of Supervisors receives a petition for discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to a tax levying agency in the County if the rate of secured tax delinquency therein exceeds 3% in any year.

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

Sacramento City Unified School District Secured Tax Charges and Delinquencies (Debt Service Levies only) Fiscal Year 2006-07 Through Fiscal Year 2010-11				
Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent as of June 30	Percent Delinquent as of June 30	
2005-06	\$23,657,125.00	\$495,983.00	2.10%	
2006-07	20,063,598.41	712,321.26	3.55	
2007-08	22,499,937.00	899,744.00	4.00	
2008-09	24,538,884.00	761,754.00	3.10	
2009-10	22,583,246.00	572,615.00	2.54	
2010-11	24,021,726.00	601,074.00	2.50	

⁽¹⁾ Debt service levy only.

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe

rebate payments from moneys received or accrued during the 2011-12 fiscal year. To the extent that any rebate cannot be paid from such moneys, State law is unclear as to whether such covenant would require the District to make any such rebate. This would be an issue only if it were determined that the District's calculation of expenditures on Notes proceeds or of rebatable arbitrage profits, if any, was incorrect.

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, 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. As one example, Section 4(t), 676.7(A)(o), 5.9(p), 5.9(in), 5.0.4(e), 1.7(l)-390(b), 5.9(d)

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Notes and will receive compensation from the District contingent upon the sale and delivery of Notes. KNN Public Finance, a Division of Zions First National Bank, is acting as Financial Advisor to the District with respect to the Notes and will receive compensation from the District contingent upon the sale and delivery of the Notes.

Underwriting

Pursuant to a negotiated sale held on _____, 2012, De La Rosa & Co., as the original purchaser, will purchase the Notes from the District at the purchase price of \$_____, representing the principal amount of Notes, plus original issue premium thereon (\$_____), less Underwriter's compensation (\$_____).

The Underwriter has certified the reoffering price or yield set forth on the cover hereof at which the Notes have been reoffered to the public. The underwriting compensation is based on such certification. The Underwriter may offer and sell the Notes to certain dealers and others at prices lower than the public offering price shown on cover page hereof. The offering price may be changed from time to time by the Underwriter. The Underwriter will be obligated to take and pay for all of the Notes if any are purchased.

Additional Information

Quotations from and summaries and explanations of the Notes, the Resolution providing for issuance of the Notes, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT FOR THE
FISCAL YEAR ENDED JUNE 30, 2011

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the Disclosure Certificate) is executed and delivered by the Sacramento City Unified School District (the District) in connection with the issuance of the above-named notes (the Notes). The Notes are being issued pursuant to a resolution adopted by the Board of Education of the District on _____, 2012 (the Resolution). The District covenants and agrees as follows:

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

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

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

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

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

Listed Events shall mean any of the events listed in Section 3(a) or 3(b) of this Disclosure Certificate.

MSRB shall mean the Municipal Securities Rulemaking Board or any successor.

4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

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

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

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

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

(d) If the District learns of the occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(b) would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need

be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders affected Notes pursuant to the Resolution.

SECTION 4. Format for Filings with MSRB Any report or filing with the MSRB pursuant to this

SECTION 10. Beneficiaries This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of Notes, and shall create no rights in any other person or entity.

Date: _____, 2012

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Authorized Officer

APPENDIX E

authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede &

NOTE PURCHASE AGREEMENT

\$ _____

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2011-12 TAX AND REVENUE ANTICIPATION NOTES**

_____, 2012

Board of Education,
Sacramento City Unified School District
c/o KNN Public Finance
1333 Broadway
Oakland, CA 94612

Ladies and Gentlemen:

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

1. Purchase and Sale Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Purchaser hereby agrees to purchase from the District for offering to the public, and the District hereby agrees to sell to the Purchaser for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the District's Sacramento City Unified School District 2011-12 Tax and Revenue Anticipation Notes (the Notes) at a Purchase Price of \$_____ (consisting of the principal amount of the Notes, plus an original issue premium of \$_____, less an underwriter's discount of \$_____). The true interest cost for the Notes is _____%.

2. The Notes The Notes shall be issued pursuant to Sections 53850 to 53858, both inclusive, of the California Government Code, and Sections 282.8(b), 10.8(a)(1), 10.8(f)-3730m [(.)-(2.) u2.3(t)7nm0 0 1)-4.

most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

The District will electronically deliver to the Purchaser within seven business days from

were made, not misleading; in each case excluding therefrom any information contained therein relating to DTC or its book-entry only system, information relating to the reoffering of the Notes

captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Resolution and the Notes and the form and content of the approving opinion, are accurate in all material respects; and

(iii) the Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(g)

(A) There shall have occurred and be continuing the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California;

(B) There shall be in force a general suspension of trading or other material restrictions not in force as of the date hereof on the New York Stock Exchange or other national securities exchange;

(C) Legislation shall have been enacted by the Congress of the United States, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, with respect to federal taxation of interest received on securities of the general character of the Notes, or legislation shall have been enacted by the State of California which renders interest on the Notes not exempt from State of California personal income taxes;

(D) Legislation shall have been enacted, or a decision of a court of the United States shall have been rendered or any action shall have been taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter which, in the opinion of Bond Counsel, has the effect of requiring the contemplated distribution of the Notes to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Resolution to be qualified under the Trust Indenture Act of 1939, as amended; or

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

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

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

8. Closing At or before 9:00 a.m., California time, on _____, 2012, or at such other date and time as shall have been mutually agreed upon by the District and the Purchaser, the District will deliver or cause to be delivered to the Purchaser the Notes in book-entry form, together with the other documents described in Section 7 hereof to be delivered by the District; and the Purchaser will accept such delivery and pay the purchase price of the Notes as set forth in Paragraph 1 hereof in immediately available funds (e.g., by federal funds wire), and shall deliver to the District the other documents described in Section 7 hereof to be delivered by the Purchaser, as well as any other documents or certificates Bond Counsel shall reasonably require.

Payment for the delivery of the Notes as described herein shall b295.8(a)-.7(be)-6(be)-1.

9. Expenses The District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Notes (or from any other source of available funds of the District) including, but not limited to: (i) the cost of the preparation and reproduction of the Resolutions; (ii) the fees and disbursements of Bond Counsel; (iii) the fees and disbursements of the financial advisors to the District; (iv) the costs of the preparation, printing and delivery of the Notes; (v) the costs of the

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

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

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

Respectfully submitted,

E. J. DE LA ROSA & CO., INC.

By: _____
Authorized Officer

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2011-12 TAX AND REVENUE ANTICIPATION NOTES
PAYING AGENT AGREEMENT**

This Paying Agent Agreement (the “Agreement”), executed and entered into as of _____, 2012, by and between the Sacramento City Unified School District (the “District”) and the County of Sacramento (the “County”);

WITNESSETH

exchanged, transferred, or mutilated, or otherwise in substitute for Note certificates at the times and under the conditions prescribed in the Notes Resolution.

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

4. The District will cause to be transferred to the Director of Finance prior to the maturity date of the Notes sufficient funds to pay all interest and principal payable on the Notes due on such maturity date. Any money deposited with the Director of Finance for the payment of the interest on or principal of the Notes and remaining unclaimed for two years after such

of independent accountants or counsel employed by him in the exercise and performance of her powers and duties hereunder, and, to the extent permitted by law, the District shall indemnify, defend and save the Director of Finance and her agents and employees harmless against losses, costs, expenses and liabilities, including fees and expenses of her attorneys, not arising from her own negligence or willful misconduct, which he may incur in the exercise and performance of her powers and duties hereunder.

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

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

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

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Chief Business Officer

COUNTY OF SACRAMENTO

By _____
Director of Finance

APPROVED AS TO FORM:

By _____
County Counsel

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
2011-12 TAX AND REVENUE ANTICIPATION NOTES

This Continuing Disclosure Certificate (the Disclosure Certificate) is executed and delivered by the Sacramento City Unified School District (the District) in connection with the issuance of the above-named notes (the Notes). The Notes are being issued pursuant to resolution adopted by the Board of Education of the District on _____, 2012 (the Resolution). The District covenants and agrees as follows:

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

SECTION 2. Definitions In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless othe

SECTION 3. Reporting of Significant Events

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

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

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

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

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

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

2. Modifications to rights of Note holders;
3. Optional, unscheduled or contingent Note calls;
4. Release, substitution, or sale of property securing repayment of the Notes;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
7. Appointment of a successor or additional trustee or the change of name of a trustee.

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

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

SECTION 4. Format for Filings with MSRB Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied

SECTION 7. Amendment; Waiver Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would,

SECTION 10. Beneficiaries This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: _____, 2012

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By _____
Authorized Officer