SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

Agenda Item# 9.2

Meeting Date: February 16, 2012

Subject: **Resolution No.**

Boardof Education Executive Summary

Administrative Services

Approve Resolution No. 2687: Authorizing the Issuance and
of the 2011-12 Tax and Revenue Anticipation Notes (TRAN)
February 16, 2012

I. Overview/F3Tm [(B)4 rg 0ncial advisor

School districts in California have suffered devastating reductions in funding over the past several years. Cash reserves for most districts are low and Sacramento City Unified School District is no exception. The continued deferral of state revenues has impacted the district to the extent that staff project a negative cash flow in the General Fund by June 30, 2012. Throughout the year, there are three options to assist districts with cash flow issues. First, is the option of inter-fund borrowing. If another fund in the district (Child Development, Nutrition Services, etc.) has cash reserves, the district v ^ } Œ Œ } Á _ š Z } • (µ v • š } P š š Z Œ } µ P Z v P š] À • Z (o } Á ‰ Œ in the past, however, cash reserves in other funds have declined and there may not be enough cash to cover the General Fund by the end of this year. Another option is dry-period financing or borrowing from the County. From July through the last Monday in April, the County Treasurer will cover a] • š Œ] š [• v P, up to 85% of anticipated tax collections. A district must have a positive cash flow by that last Monday in April, through May and end the fiscal year with a positive cash flow in June. Dry-period financing is automatically activated should the district have a negative cash position on the last Monday in April. The third option is to borrow funds from an outside source. A low cost option available to districts is a Tax Revenue Anticipation Note (TRAN).

A TRAN is a short-term, tax-exempt, interest-bearing note issued by a district in anticipation of taxes and other revenues that will be received later. Because of the economic crises of the state and deferrals in revenues to school districts, many districts are experiencing a spring cash flow deficit in addition to the November shortage of cash. An alternative to a district with this problem is a Œ - } • • Ç Œ _ d T. This means that the district receives the funds from a TRAN this fiscal year and will pay it back the following fiscal year from deferred revenues that are expected to be received in July and August of 2012.

During prior Board presentations regarding the district budget, it was discussed that the district would most likely need to issue a TRAN in the spring. District staff are working with the financial advisor from KNN. While a TRAN is not free, (there are costs associated with any type of borrowing), this option is the lowest cost option available to districts.

The attached resolution, draft preliminary official statement and related documents provide the background for approving the TRAN. Staff will ask the Board for approval at the March 1, 2012 Board meeting.

II. Driving Governance:

- California Government Code

Boardof Education Executive Summary

Administrative Services

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

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. Throughout the] • µ • •] } v } (š Z] • š Œ] š [• ( ] v v] o ‰ o v U • š (financial advisor from KNI, have closely monitored cash and the potential of issuing a TRAN has been discussed with the Boardin previous Boardmeetings.

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 d] • š Œ] š [and long-term financial plan.

VII. Lessons Learned/Next Steps:

- The attached documents are presented to the Board as a conference item. This item will come back to the Board on March 1, 2012.
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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 REVENUE ANTICIPATION NOTES THEREFOR APPROVING THE FORMS OF A NOTE PURCHASE AGREEMENT AND AN OFFICIAL STATEMENT FOR SAID NOTES; PROVIDING FOR CONTINUING DISCLOSURE WITH RESPECT TO SAID NOTES; REQUESTING THE COUNTY DIRECTOR OF FINANCE TO ACT AS PAYING AGENT FOR THE NOTES AND AUTHORIZING OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, pursuant to Sections 53850 to 53858, both inclusive, of the California Government Code, being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 thereof (the "Law"), the Board of Education (the "Board") of the Sacramento City Unified School District (the "District") has found and determined that the District in Fiscal Year 2011-12 to satisfy obligations of the District payable from the General Fund of the District during Fiscal Year 2011-12 before the receipt of taxes, income, revenue, cash receipts and other moneys of the District to be received for or to accrue to the General Fund of the District in Fiscal Year 2011-12 that will be available for such purpose, and that it is necessary that such sum be borrowed for such purpose by the issuance of temporary notes therefor in anticipation of such receipt; and

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

WHEREAS, it appears, and the Board hereby finds and determines, that the principal amount of such Notes, when added to the interest to be paid thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys of the District anticipated to be received for or to accrue to the General Fund of the District in Fiscal Year 2011-12 that will be available for the payment of the interest on and the principal of such Notes; and

WHEREAS, no money has heretofore been borrowed by the District through the issuance of any temporary notes in anticipation of the receipt of, or payable or secured by taxes, income, revenue, cash receipts or other moneys of the District for Fiscal Year 2011-12; and

WHEREAS, this Board of Education deems it necessary and desirable and in the best interests of the District to authorize the sale of said notes by a negotiated sale to E.J. De La

within the treasury of the State of California, insofar as such investments are permitted by the investment policy of the Director of Finance of the County; provided that no proceed shall be invested for a term that exceeds the term of the Notes. The proceeds of and earnings on all such investments shall be deposited in the Note Proceeds Fund.

All amounts in the Note Proceeds Fund shall be withdrawn and expended by the District for any purpose for which the District is authorized to expend funds from the General Fund of the District, but only after exhausting funds otherwise available for such purposes (which are not restricted funds) and only to the extent that on any given day such other funds are not then available; provided, that if on the date that is six months from the date of issuance of the Notes all proceeds of the Notes (including investment earnings thereon) shall not have been so withdrawn and spent (treating as unavailable amounts that otherwise would be available amounts

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 [illegible] 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 intere

this resolution shall constitute a contract between the District and the registered owners of the Notes, and such provisions shall be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction, and shall be irrepealable; provided, that notwithstanding any other provision hereof to the contrary, upon the 'LVWULFW¶V IDLOXUH WR REVHUYH RU UHIXVDO WR FRPSO other than the registered owners or former registered owners of the Notes shall be entitled to H[HUFLVH DQ\ ULJKW RU UHPHG\ XQGHU WKLV UHVROXWLRQ or refusal to comply with, such covenants.

Section 16 Filing with the Board of Supervisors. The Clerk of this Board of Education is hereby authorized and directed to file a certified copy of this Resolution with the Clerk of the Board of Supervisors of the County.

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

PASSED AND ADOPTED this day, _____, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

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

ATTEST:

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

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

6 (& 5 (7 $ 5 < ¶6 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 _____, 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 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.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2012

NEW ISSUE ±BOOK-ENTRY ONLY

RATING:

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(See 3 0 , 6 & (/ / $ 1 (2 8±6 D W herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Sacramento City Unified School District, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest with respect to the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend XSRQ WKH WD[SD\HU¶V HOHFWLRQ XQGHU Notice 9484. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel wcertain representations an

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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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COUNTY OF SACRAMENTO, CALIFORNIA

DISTRICT BOARD OF EDUCATION

Diana Rodriguez
President (Area 5)

Darrel Woo
Vice President (Area 6)

Jeff Cuneo
Second Vice President (Area 2)

Gustavo Arroyo
Member (Area 4)

Ellyne Bell
Member (Area 1)

Patrick Kennedy
Member (Area 7)

Donald Terry
Member (Area 3)

Isaac Gardon
Student Member

DISTRICT ADMINISTRATION

Jonathan P. Raymond
Superintendent and Board Secretary

Patricia A. Hagemeyer
Chief Business Officer

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Paying Agent
Sacramento County
Director of Finance
Sacramento, California

Financial Advisor
KNN Public Finance, a Division of Zions First National Bank
Oakland, California

$[PAR AMOUNT] *
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
2011-12 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

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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. Mr. 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.

FOR ADDITIONAL INFORMATION ABOUT THE DISTRICT AND OPERATING INFORMATION, see herein.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Notes to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, notice of the occurrence of certain enumerated events. THE FAILURE OF THE DISTRICT TO PROVIDE NOTICE OF CERTAIN ENUMERATED EVENTS MAY RESULT IN THE SUSPENSION OF THE SECONDARY MARKET FOR THE NOTES. The District has specifically undertaken to provide notices of the events and a summary description of the terms of the Disclosure Certificate pursuant to which such notices are to be made. These covenants have been made in order to assist the Underwriter in complying with the Rule. As of the date hereof, the District has not failed to comply in all material respects with any previous undertakings with regard to the Rule to file annual reports or notices of certain enumerated events.

THE NOTES

Purpose of the Notes

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

Authority for Issuance

The Notes are issued in conformity with the laws of the State, including Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the State Government Code, and pursuant to a resolution adopted by the Board on March 1, 2012, authorizing the sale and issuance of the Notes (the "Resolution").

A fiscally accountable district is authorized to issue its own tax and revenue anticipation notes without DFWLRQ E\ WKH ERDUG RI VXSHUYLVRUV RI WKH FRXQW\ LQ ZKLFK DFFRXQWDELOLW\ VWDWXV´ XQGHUWRRÅ HUW ^±Å HUW ^±Å !ã 0

money of the United States of America, to the registered owners of the Notes, only upon surrender of such Notes at the principal office of the Paying Agent/Registrar. No interest shall be payable on any Notes for any period after maturity of the Notes during which the registered owner thereof fails to properly present said Notes for payment.

Form and Registration. The Notes will be issued in f

2011-12 State Budget. The Governor signed the fiscal year 2011 6 W D W H E X G J-12 State W K H 3
% X G J H W ´ R Q - XTQeH 2011-12 State Budget closes a $26.6 billion budget gap with $15.0 billion in

‡ 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 shift the responsibility for providing mental health services, including out-of-home residential services, required under federal law from county mental health departments and county welfare departments to school districts. The 2011-12 State Budget also reflects the repeal of the AB 3632 mandate. Additionally, the 2011-12 State Budget includes $2.8 million in one-time federal carryover funds for program oversight and technical assistance while transitioning services from counties to schools, and for Office of Administrative Hearings caseload resulting from increased AB 3632 mental health service related disputes. The 2011-12 State Budget continues to provide $98.6 million in Proposition 63 funds to county mental health agencies on a one-time basis in 2011-12. School districts can contract with counties to provide services using Proposition 63 funds, but schools would be responsible for any costs exceeding this amount. In total, the 2011-12 State Budget provides $389.4 million from all fund sources, including $69 million in federal funds currently budgeted for mental health services.

‡ Funding for new charter schools. A total of $11 million to provide charter schools that commenced operations between fiscal year 2008-09 and fiscal year 2011-12 with supplemental categorical funding. This funding ensures new charter schools have access to the same funding as existing charter schools and traditional public schools. New conversion charter schools would be excluded from this funding and would instead receive a pass-through payment from the school district.

‡ Extension of flexibility for K-12 school districts. The 2011-12 State Budget extends the following flexibility options to school districts for an additional two years: categorical program flexibility, routine and deferred maintenance expenditure requirements, class size requirements, instructional time requirements, sale of surplus property, instructional materials purchase requirements and local budget reserve requirement.

In addition to the above, a decrease of $180.4 million to child care and development programs was enacted, reflecting the following: (i) a decrease of $37.4 million to reduce license-exempt provider rates from 80% to 60% of licensed rates for voucher-based programs; (ii) a decrease of $12.4 million to reduce income eligibility to 70% of the State median income; and (iii) a decrease of $130.7 million to reflect an across the board reduction in provider contracts.

The 2011-12 State Budget also makes a one-time change to the A.B. 1200 (see "District Budget Process and County Review) reporting process by requiring K-12 districts to adopt a one-year budget for Fiscal Year 2011-12 and not the standard current budget plus two subsequent years. It specifies that county superintendents cannot force K-12 districts to adopt a three-year budget or a budget based on the worst-case scenario (that is, assuming the trigger for education cuts gets pulled).

The complete 2011-12 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 there, and such information is not incorporated herein by such reference.

Trigger of Automatic Cuts. On December 13, 2011, Governor Brown announced that State revenues had fallen $2.2 billion below projections made at the adoption of the 2011-12 State Budget, thus triggering certain automatic spending reductions discussed above. Reductions in education spending amounted to approximately $330 million. The majority of reductions, including home-to-school transportation funding and the majority of Additional reductions of approximately $79.6 million will affect Proposition 98 apportionments. Shortly after the reductions to the home-to-school transportation program were announced by Governor Brown, the Los Angeles Unified School District filed a lawsuit against the State to challenge such transportation cuts. The District anticipates approximately $2.5 million in transportation and A.D.A reductions as a

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

‡ Cost-of-Living Adjustment Increases. The 2012-13 Proposed State Budget does not provide a cost-of-living- D G M X V W P H Q W [illegible] 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

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 weighted factors that account for the variability in costs of educating specific student populations, thereby ensuring that funding will continue to be targeted to schools with large populations of disadvantaged pupils. The formula will be phased in over a period of five years. The programs that will be replaced by the new formula will immediately be made completely flexible for use in supporting any locally determined education purpose. The 2012-13 Proposed State Budget also adds a system of accountability measures that will be the basis for evaluating and rewarding school performance under this new finance model, which includes the current quantitative, test-based accountability measures and locally developed assessments and qualitative measures.

The complete 2012-13 Proposed 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 there, and such information is not incorporated herein by such reference.

LAO Overview of 2012-13 Proposed State Budget The Legislative Anal V W ¶ V 2 I I L F H ³ / $ 2 ´ D nonpartisan State office

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 supermajority vote of each House of the State Legislature, may differ significantly from the Governor's Proposed State Budget. 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 General Fund revenues (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

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 3 (the "Reform Act").

The effect of Proposition

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fund was $15.3 million for fiscal year 2010

Proceeds from capitalized leas obligations	±	±	47,411	15,977

Exhibit I

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

[To Come]

Exhibit II

Sacramento City Unified School District
Projected 201213 Cash Flow
General Fund
(Including TRAN Proceeds)

[To Come]

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 2002 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	33,025,000
Total payments	$103,799,510
Less: Interest Portion	(20,914,510)
Net Minimum Payments	$82,885,000

Voter-approved bonds, ved0

available for students enrolled in District schools. The District is also required to accommodate charter school students originating in the District in facilities comparable to those provided to regular District students.

(OHYHQ FKDUWHU KLJK VFKRROV FXUUHQWO\ RSHUDWH LQ WKH 'LV seven 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:

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

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 $X WKRULW\ &$6$ D 6WDWH L³QIRUQ3WHUSRZHUSVU RDXWKRUGWL Q L V W U D W L Y H to offer an alternative retirement (O9e)-15(m)19(e)-13(n)6(t)-266(w)11(it)-9(h)6( )(e)-23.57 ire2309.92 ri2 18/F1 9.9

Since July 1, 2004, the District has resumed making ordinary contributions to CalPERS and Social Security

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIC and Article XIIID of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the ³6 D O O H G ³ 5 L J K W W R 9 R W H R Q 7 D [H V $ F W ´ 3 U R S R V and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among R W K H U W K L Q J V $ U W L F O H ; , , , & H V W D E O L V K H V W K D W H Y H U \ W D [L V H L V S X U S R V H V R U D ³ V S H F L D O S X U S R V H ´ I H H F K D U J H L P S R V H G E \ D O R F D O J R Y H U Q P H Q W D J H Q F \ ³ V S H F L D O S X U S R V H ´ I H H F K D U J H L P S R V H G E \ D O R F D O J R Y H U Q P H Q W D J H Q F \ (which includes school districts) unless approved by two-thirds vote of the voters; prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing

Expenditures and Appropriations

Article XIIIB of the California Constitution. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are VXEMHFW WR DQ DQQXDO ³DSSURSULDWLRQV OLPLW´ RU ³*DQQ /LPLW´ which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations OLPLW RI HDFK JRYHUQPHQW HQWLW\ DSSOLHV WR ³SURFHHGV RI WD[HV´ certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such SURFHHGV H[FHHG ³WKH FRVW UHDVRQDEO\ ERUQH E\ VXFK HQWLW\ ³3URFHHGV RI WD[HV´ H[FOXGHV WD[UHIXQGV GHEW VHUYLFH RU FRVWV RI FDSLWDO LPSRVHG RQ WKH DSSURSULDWLRQ RI IXQGV ZKLFK DUH QRW ³SURFHHG and certain other non-tax funds.

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

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.

/RFDOO\ WD[HG SURSHUW\ LV FODVVLILHG HLWKHU DV ³VHFXUHG´ RU DV ³XQVHFXUHG´ SURSHUW\ DQG WKH WD[HV OHYLHG RQ HDFK FODVV DUH FROOHFWHG RQ GLIIHUHQW SDUWV RI WKH DVVHVVPHQW UROO 7KH ³VHFXUHG´ FODVV LQFOXGHV ODQG DQG LPSURYHPHQWV DVVHVVHG RQ WKH VDPH SDUFHO RI ODQG DQG RWKHU SURSHUW\ WKDW SDUWLFLSDWHV LQ WKH SULPDU\ VHFXUHG FODLP DJDLQVW WKH ODQG 7KH ³XQVHFXUHG´ FODVV LQFOXGHV DOO RWKHU SURSHUW\ WKDW LV WKHPVHOYHV VXIILFLHQW WR VHFXUH SD\PHQW RI WKH WD[HV $OO RWKHU SURSHUW\ LV FODVVLILHG DV ³XQVHFXUHG´ 3URSHUW\ DVVHVVHG E\ WKH 6WDWH %RDUG RI (TXDOL]DWLRQ LV FRQVLGHUHG WR EH VHFXUHG SURSHUW\ Shown in the following table is the assessed valuation of the various classes of property in the District in recent years.

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 is due to the district's receipt of property tax revenues 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 the 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 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 pass-through payments do not count as general purposes, but must generally be used for capital facilities improvements. Although there are redevelopment agencies within the District's boundaries, none currently make pass-through payments.

The 2011-12 Budget suspends various activities of redevelopment agencies and prohibits the agencies from incurring indebtedness for a specified period. The 2011-12 Budget also dissolves redevelopment agencies and community development agencies, as of February 1, 2012, and designates successor agencies to wind down the affairs of the dissolved redevelopment agencies. At this time the District cannot predict what effect the dissolution of redevelopment agencies will have on the District. For more information, see "STATE FUNDING OF EDUCATION – State Funding of Education; State Budget Process – Dissolution of Redevelopment Agencies" herein.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate a specified amount of assessed tax revenues. State law requires that the assessment roll be finalized by August 20 of each year. The following table shows the history of taxable assessed valuation.

Sacramento City Unified School District
Summary of Assessed Valuation
Fiscal Year 2006-07 Through Fiscal Year 2011-12

Fiscal Year	Local Secured	Utility	Unsecured	Total*	Percent Change
2006-07	$23,734,542,444	$49,522,393	$1,240,099,083	$25,024,163,920	±
2007-08	25,604,769,732	9,832,961	1,271,566,642	26,886,169,335	7.44%
2008-09	26,664,260,222	6,526,133	1,369,019,604	28,039,805,959	4.29
2009-10	25,300,012,709	6,515,367	1,436,477,398	26,743,005,474	(4.62)
2010-11	24,998,615,578	6,555,142	1,379,440,206	26,384,610,926	(1.34)
2011-12	24,360,833,460	6,602,390	1,381,399,468	25,748,835,318	(2.41)

* Figuree

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

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

Sacramento City Unified School District
2011-12 Taxable Assessed Valuation and Parcels by Land Use

	2011-12 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$ 10,857,199	0.04%	19	0.02%
Commercial	5,516,728,772	22.65	3,562	3.50
Vacant Commercial	141,795,634	0.58	520	0.51
Industrial	1,301,090,685	5.34	1,276	1.25
Vacant Industrial	46,079,685	0.19	290	0.29
Recreational	65,926,980	0.27	75	0.07
Government/Social/Institutional	194,512,028	0.80	322	0.32
Miscellaneous	2,250,485	0.01	176	0.17
Subtotal Non-Residential	$7,279,241,468	29.88%	6,240	6.14%
Residential:				
Single Family Residence	$13,281,565,776	54.52%	82,950	81.57%
Condominium/Townhouse	241,900,606	0.99	1,790	1.76
Mobile Home	40,394,418	0.17	1,246	1.23
Mobile Home Park	40,759,447	0.17	34	0.03
2-4 Residential Units	1,190,655,995	4.89	6,392	6.29
5+ Residential Units/Apartments	1,628,781,302	6.69	1,450	1.43
Hotel/Motel	473,934,844	1.95	54	0.05
Miscellaneous Residential	69,606,148	0.29	339	0.33
Vacant Residential	113,993,456	0.47	1,197	1.18
Subtotal Residential	$17,081,591,992	70.12%	95,452	93.86%
Total	$24,360,833,460	100.00%	101,692	100.00%

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

TAX MATTERS

rebate payments from moneys received or accrued during the 2011 fiscal year. To the extent that any rebate cannot be paid from such moneys, State law is unclear as to whether such covenant would require the District to pay DQ\ VXFK UHEDWH 7KLV ZRXOG EH DQ LVVXH RQO\ LI LW ZHUH GHWHU 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, ownership or GLVSRVLWLRQ RI RU WKH DFFUXDO RU UHFHLSW RI LQWHUHVW RQ WK local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status oI WKH 1RWHKROGHU RU WKH 1RWHKROGHU¶V RWKHU LWHPV RI LQFRP

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP 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 the 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 the 1RWHV SOXV RULJLQDO LVVXH SUHPLXP WKHUHRQ BBBBBBBBB OHV

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 l

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____
Chief Business Officer

APPENDIX B

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

APPENDIX C

FORM OF CONTINUING D ISCLOSURE CERTIFICAT E

7 K L V & R Q W L Q X L Q J ' L V F O R V X U H & H U W L I L F D W H K D V E H H Q H [H F X W H G E \ W K H L V V X H U R I W K H 6 D F U D P H Q W R & L W \ 8 Q L I L H G 6 F K R R O ' L V W U L F W ´ L Q F R Q Q H F W L R Q Z L W K W K H L V
Sacramento City Unified School District W K H ³ ' L V W U L F W ´ L Q F R Q Q H F W L R Q Z L W K W K H L V

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;

APPENDIX D

COUNTY OF SACRAMENTO
INVESTMENT POL ICIES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT

7 K H I R O O R Z L Q J L Q I R U P D W L R Q S U R Y L G H V D J H Q H U D O G H V F U L S W L portfolio holdings and valuation procedures. The information has been furnished by the County Office of Finance for use as disclosure information on securities issues. The District makes no guaranty as to the accuracy or completeness of this information. Further information may be obtained directly from the Director of Finance. The County of Sacramento maintains up-to-date Investment Reports at the following website: http://www.finance.saccounty.net/investments/.

SACRAMENTO COUNTY

Annual Investment Policy of the
Pooled Investment Fund

CALENDAR YEAR 2012

Approved by the
Sacramento County Board of Supervisors

[TO BE INSERTED AT THE TIME OF PRINTING]

OH&S DRAFT
01/25/12

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:

7KH XQGHUVLJQHG WKH ³3XUFKDVHU´ RIIHUV WR HQWHU LQWR WKLV ³3XUFKDVH $JUHHPHQW´ ZLWK WKH Board of Education of the Sacramento City Unified School District

A single maturity of Notes shall be issued, dated the date of Closing (as defined in Section 9 hereof), and the Notes shall mature on _____, 2012, without possibility of prior redemption.

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

The District will electronically deliver to the Purchaser within seven business days from the date hereof, of the Official Statement of the District with respect to the Notes, signed on behalf of the District by an authorized officer thereof, dated as of the date hereof, substantially in the form of the Preliminary Official Statement with such changes thereto as shall be approved by the Purchaser, which

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 SURYLGHG E\ WKH 8QGHUZULWHU RU LQIRUPDWLRQ GHVFUL portfolio holdings, and valuation procedures, as to all of which the District expresses no view. Except as otherwise covenanted in the Continuing Disclosure Certificate of the District, the District disclaims any obligation after the date of Closing to update the Preliminary Official Statement and the Official Statement.

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

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

(i) The District has received determination from the County superintendent of VFKRROV WKDW WKH 'LVWULFW¶V UHSD\PHQW RI PpLV UQp `C

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untrue statements of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition or affairs of the District which would make it unreasonable for the purchaser of the Notes to rely upon the Official Statement in connection with the resale of the Notes, excluding in each case any information contained in the Official Statement relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, and information

(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;

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 repr

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.

OH&S DRAFT
01/25/12

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

7 K L V 3 D \ L Q J $ J H Q W $ J U H H P H Q W W K H ³$ J U H H P H Q W ´ _____, 2012, by and between the Sacramento City Unified School District W K H ³ ' L V W U L F W ´ D Q G W K H & R X Q W \ R I 6 D F U D P H Q W R W K H ³& R X Q W \ ´

W I T N E S S E T H:

WHEREAS, the District, by its Resolution No. B B B W K H ³1 R W H V 5 H V R O X W L the Board of Education of the District on _____, 2012, has authorized the issuance of the ' L V W U L F W ¶ V [D Q G 5 H Y H Q X H $ Q W L F L S D W L R Q 1 R W H V W K H amount of $_____; and

WHEREAS, the County, by resolution adopted by the Board of Supervisors of the County on March 27, 2012, has appointed the Director of W R U R I) L Q D Q F H R I W K H & R X Q R I) L Q D Q F H ´ W R D F W D V S D \ L Q J D J H Q W U H J L V W U D U D Q G W Finance desires to accept such appointment; and

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

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

1. The Director of Finance will act as Paying Agent, Registrar and Transfer Agent W K H ³3 D \ L Q J $ J H Q W ´ Z L W K U H V S H F W W R W K H 1 R W H V S X U V of Finance will maintain records as to the identity of the registered owners of all the Notes, and will effect transfers of registered ownership of Notes upon surrender of Notes to the Director of Finance accompanied by such instruments of transfer and other documents as he may require, and will cancel all Notes surrendered to him for transfer or payment and will dispose of such cancelled Notes at the written direction of the District, and (if the District notifies the Director of Finance of the loss, destruction or theft of any of the Notes) will place a stop transfer order against such Notes and will take instructions from the District with respect to the issuance of any replacement Notes; provided, that the Director of Finance may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note, coupon or other paper or document reasonably believed by him to be genuine and to have been signed or presented by the proper party or parties.

2. The Director of Finance or an authorized deputy thereof will authenticate each Note certificate prior to the initial delive

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 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 interest or principal shall have become due and payable shall be repaid to the District, and all liability of the Director of Finance with respect thereto shall thereupon cease. The Director of Finance shall, as ex officio Treasurer of the District, provide for the periodic set-aside of funds for payment of principal of and interest on the Notes, as required by the Notes Resolution and the Notes, from lawfully available funds on deposit in the General Fund of the District and held by the Director of Finance.

5. Pursuant to the Notes Resolution, the Director of Finance shall create a Note Proceeds Fund and a Repayment Fund of the District within the General Fund of the District, and shall hold and invest moneys on deposit in such funds as the District shall direct pursuant to the Notes Resolution. The Director of Finance shall hold all moneys deposited in the Repayment Fund hereunder and under the Notes Resolution in trust for the benefit of the owners of the Notes. The Director of Finance shall have no duties with respect to the investment of any moneys deposited with him as Paying Agent hereunder, un

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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.

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

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

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 rights in any other person or entity.

Date: _____, 2012

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Authorized Officer