

**SEQUOIA UNION HIGH SCHOOL DISTRICT
COUNTY OF SAN MATEO, CALIFORNIA**

Res. No. 1573

RESOLUTION OF THE BOARD OF TRUSTEES OF THE SEQUOIA UNION
HIGH SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF 2016-17
TAX AND REVENUE ANTICIPATION NOTES OF THE DISTRICT AND
REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN
MATEO TO ISSUE AND SELL SAID NOTES IN AN AMOUNT NOT TO
EXCEED \$13,000,000

WHEREAS, pursuant to Sections 53850 and following of the Government Code of the State of California (herein called the "Government Code") (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of said Government Code), on or after the first day of any fiscal year (being July 1) a school district may borrow money by issuing temporary notes for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the school district; and

WHEREAS, this Board of Trustees (the "Board") of Sequoia Union High School District (the "District") has found and determined that a sum not to exceed \$13,000,000 is needed to satisfy obligations payable or accruing during Fiscal Year 2016-17 from the General Fund of the District, and that it is necessary that said sum be borrowed for such purpose at this time by the issuance of temporary notes in anticipation of the receipt or accrual during Fiscal Year 2016-17 of taxes, income, revenue, cash receipts and other moneys by the District for the General Fund of the District; and

WHEREAS, it appears, and the Board hereby finds and determines, that said principal amount, when added to the interest payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys which will be received by or accrue to the District for the General Fund of the District during Fiscal Year 2016-17 and which will be available for the payment of the principal of and interest on said notes; and

WHEREAS, no money has heretofore been borrowed by or on behalf of the District through the issuance of tax anticipation notes or temporary notes in anticipation of the receipt of, or payable from or secured by, taxes, income, revenue, cash receipts or other moneys to be received by or which will accrue to the District for the General Fund of the District during Fiscal Year 2016-17, and this Board of Trustees does not contemplate such a financing through the issuance of any temporary notes, other than its notes as herein requested to be issued; and

WHEREAS, pursuant to Section 53856 of the Government Code of the State of California, certain taxes, income, revenue, cash receipts and other moneys which will be

received by or accrue to the District for the General Fund of the District during Fiscal Year 2016-17 can be pledged for the payment of said notes and the interest thereon (as hereinafter provided); and

WHEREAS, the District has not been accorded fiscal accountability status under Section 42647 or 42650 of the Education Code; and

WHEREAS, Section 53853 of the Government Code provides that such notes must be issued in the name of the school district by the board of supervisors of the county, the county superintendent of which has jurisdiction over the district, as soon as possible following the receipt of a resolution of the governing board of the school district requesting the borrowing; and

WHEREAS, the Superintendent of Schools of the County of San Mateo (the “County”) has jurisdiction over the District; and

WHEREAS, the District has not received a qualified or negative budget certification in the current fiscal year; and

WHEREAS, this Board of Trustees deems it necessary and desirable that the Board of Supervisors of the County shall authorize and consummate the sale and issuance of said notes according to the terms and in the manner hereinafter set forth; and

WHEREAS, Orrick, Herrington & Sutcliffe LLP serves as Bond Counsel (“Bond Counsel”) to the District and will serve in such capacity in connection with the notes authorized hereby; and

WHEREAS, the District has appointed Keygent LLC, as Registered Municipal Advisor to the District (the “Registered Municipal Advisor”) with respect to said notes; and

WHEREAS, this Board of Trustees further deems it necessary and desirable to authorize the sale of the notes by a competitive sale to the responsible bidder who makes the lowest interest cost bid, and pursuant to Education Code Section 15146, has found and determined that a competitive sale is expected to produce the lowest borrowing cost to the District; and

WHEREAS, there have been submitted and are on file with the Secretary of this Board of Trustees proposed forms of an Official Notice of Sale, a Notice of Intention to Sell Notes, an Official Statement and a Continuing Disclosure Certificate, all with respect to the Notes proposed to be sold;

NOW, THEREFORE, the Board of Trustees of the Sequoia Union High School District does hereby FIND, RESOLVE, DETERMINE AND ORDER, as follows:

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

Section 2. Request for Sale of Notes; County Resolution; Certificate of Award: For the purpose of satisfying obligations payable from the General Fund of the District,

the Board hereby determines to borrow an aggregate principal amount not to exceed \$13,000,000, and hereby requests the Board of Supervisors of the County to issue in the name of the District such an aggregate principal amount of temporary notes pursuant to Sections 53850 and following of the Government Code of the State of California in anticipation of the receipt or accrual of taxes, income, revenue, cash receipts and other moneys by the District for the General Fund of the District during Fiscal Year 2016-17, and to designate said notes to be sold as the "Sequoia Union High School District 2016-17 Tax and Revenue Anticipation Notes" (the "Notes").

The Board of Supervisors is hereby requested to provide by resolution (the "County Resolution") for the terms of the sale and issuance of the Notes in accordance with the particular terms and manner set forth herein and, with respect to such necessary or desirable terms as are not specified herein, as the Board of Supervisors shall otherwise see fit to determine. With respect to such necessary or desirable terms as are not finally determined by the County Resolution, the Board of Supervisors is hereby requested to provide for an Official Notice of Sale (as defined in Section 5 hereof) describing such terms to be completed and circulated prior to the sale of the Notes, and a Certificate of Award (the "Certificate of Award") to be completed upon the sale of the Notes, in which any such terms of the Notes shall be finally determined. The Board of Supervisors, or such officer or officers of the County as shall be authorized by the County Resolution to consummate the transactions contemplated herein, including by completing the Official Notice of Sale and completing and executing the Certificate of Award, is hereby requested to establish said terms of the Notes upon consultation with the Superintendent of the District, the Assistant Superintendent, Administrative Services of the District, or such other officer of the District designated for the purpose (each an "Authorized District Representative").

The District acknowledges that the Notes do not constitute a debt of the County and that the County is not responsible for, and makes no assurance regarding, the use or application of the proceeds of the Notes by the District.

Section 3. Amount of Borrowing: Any Authorized District Representative is hereby authorized to determine the aggregate principal amount of the Notes, which sum shall be no greater than the amount recited in Section 2 hereof, or such lesser amount as to which Bond Counsel will deliver an approving opinion regarding the exclusion from gross income for federal tax purposes of interest thereon. The aggregate principal amount of the Notes so determined shall be specified in the Certificate of Award described in Section 2 hereof.

Section 4. Terms of Notes: The Notes shall be dated the date of their delivery. The Notes shall mature on a date which is no more than 366 days subsequent to their date of delivery, which date shall be determined at the time of sale thereof and set forth in the Certificate of Award. The Notes shall bear interest commencing on the date thereof, computed on the basis of a 360-day year consisting of twelve 30-day months, at the rate determined at the time of sale thereof and set forth in the Certificate of Award, as provided in Section 6 hereof. The principal of and interest on the Notes shall be payable as described in Section 7 hereof. The Notes shall be issued in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof.

Section 5. Official Notice of Sale: The Official Notice of Sale inviting bids for the Notes, in substantially the form on file with the Secretary of this Board of Trustees, is hereby approved, and the Board of Supervisors is hereby requested to adopt and use said form as the Official Notice of Sale inviting bids for the Notes, subject to such corrections, revisions or additions as deemed necessary by an Authorized District Representative and as may be acceptable to the County. The Registered Municipal Advisor is hereby authorized and directed to cause to be mailed to prospective bidders for the Notes (including by posting to an appropriate Internet website which shall be accessible to interested bidders) copies of said Official Notice of Sale in the form finally approved by the County.

Section 6. Sale of Notes: (a) Advertisement for Bids. The form of proposed Notice of Intention to Sell Notes, in substantially the form on file with the Secretary of this Board of Trustees, is hereby approved, and the Board of Supervisors is hereby requested to adopt said form of proposed Notice of Intention to Sell Notes, subject to such corrections, revisions or additions as deemed necessary by an Authorized District Representative and as may be acceptable to the County, and to cause said Notice of Intention to Sell Notes to be published once at least 5 days before the date of sale in a financial publication generally circulated throughout the State of California or which the Registered Municipal Advisor advises is expected to be disseminated among prospective bidders for the Notes.

(b) Award of Notes; Certificate of Award: The Board of Supervisors is hereby requested to authorize and direct the Treasurer-Tax Collector of the County (the "County Treasurer-Tax Collector"), on behalf of the District and the County, to accept the lowest net interest cost bid for the Notes, provided that (i) all bids must be for all of the Notes; (ii) all Notes must bear the same rate of interest; (iii) no Note shall bear more than one rate of interest; (iv) each Note shall bear interest from the date of delivery to the stated Maturity Date at the interest rate specified in the bid; (v) the interest rate specified must be in a multiple of 1/1,000 of 1%; (vi) the maximum net interest cost shall not exceed 3%; and (vii) the maximum interest rate for the Notes shall not exceed the maximum rate permitted by law. If such net interest cost and price are acceptable to the County Treasurer-Tax Collector, the County Treasurer-Tax-Collector or her designee, acting at the direction of the Board of Supervisors, is hereby authorized to award the sale of the Notes to the maker of the best responsive bid; provided, however, that if no bid is acceptable, the County Treasurer-Tax Collector is requested to reject all bids and to re-bid the Notes or, if necessary, to sell the Notes by negotiated sale as permitted by law, upon consultation with the District and its Registered Municipal Advisor, and upon terms and conditions otherwise in conformity with the limitations contained in this Resolution.

Section 7. Payment of Notes; Pledge of Revenues; Repayment Fund: (a) Paying Agent. The Treasurer-Tax Collector of the County of San Mateo, in Redwood City, California, is hereby requested and authorized to act as paying agent for the District with respect to the Notes.

(b) Payment of Principal and Interest. The principal amount of the Notes shall be payable only at the maturity thereof, without option of prior redemption. Interest on the Notes shall be payable at the maturity of the Notes.

(c) Pledge of Unrestricted Revenues. The principal of and interest on the Notes shall be payable from taxes, income, revenue, cash receipts and other moneys received or accrued by the District for the General Fund of the District for the Fiscal Year 2016-17 and 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 the Notes, the District hereby covenants to deposit in trust for the registered owners of the Notes in a special fund designated as the “Sequoia Union High School District 2016-17 Tax and Revenue Anticipation Note Repayment Fund” (the “Repayment Fund”), such amounts as shall be necessary to provide for payment of all such sums when due, on the dates and in the amounts, or in the proportions of the total amount due, as shall be specified in the Certificate of Award for the Notes described in Section 6 hereof, from the first Unrestricted Revenues to be received by the District in each period specified in the Certificate of Award. The Official Notice of Sale may provide, and the Certificate of Award may confirm, that the District shall set aside moneys in the Repayment Fund from the Unrestricted Revenues for repayment of the Notes in up to five periodic deposits; provided, that the last such deposit shall be made no later than June 30, 2017. The County Controller is hereby requested to create and hold the Repayment Fund in the funds of the District, acting as the responsible agent to maintain such fund until the payment of the principal of the Notes and the interest thereon.

The amounts pledged by the County (for and on behalf of 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 the Notes 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.

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

Section 8. Tax Covenants: (a) General. The District hereby covenants that it will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Notes under Section 103 of the Internal Revenue Code of 1986 (for purposes of this Section, the “Code”). Without limiting the generality of the foregoing, the District hereby covenants that on the date of delivery of the Notes, it will deliver its Tax Certificate to the initial purchaser of the Notes containing representations and covenants with respect to such actions (the “Tax Certificate”), and that it will comply with the requirements of the Tax Certificate. The provisions of this Section shall survive payment in full or defeasance of the Notes.

(b) Rebate Exception. Amounts in the Proceeds Fund, defined in Section 9 hereof, shall be withdrawn and deposited in the General Fund of the District, and expended for any purpose for which the District is authorized to expend funds from its General Fund, 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, and for purposes of this paragraph, funds otherwise available excludes amounts that are held or set aside in a reasonable working capital reserve in the amount set forth in the Tax Certificate, which shall be no greater than 5% of the District's working capital expenditures from its available funds in Fiscal Year 2016-17; provided, that if on the date that is six months from the date of issuance of the Notes, all amounts in the Proceeds Fund (including investment earnings thereon) shall not have been so withdrawn and spent, the District hereby covenants to promptly notify Bond Counsel, and, to the extent of its power and authority, comply with the instructions from Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Code. For purposes of this Section, the "proceeds" of the Notes are equal to the initial offering price of the Notes to the public, as certified by the Underwriter.

(c) Rebate Calculation and Payment. The District covenants that, in the event it is or becomes subject to the rebate requirements of Section 148 of the Code, it shall (i) make all calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury; (ii) cause the County Treasurer-Tax Collector to segregate and set aside from lawfully available sources the amount such calculations indicate may be required to be paid to the United States Treasury; and (iii) otherwise at all times do and perform all acts and things necessary and within its power and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel, to ensure that interest paid on the Notes shall, for the purposes of federal income taxes, be excludable from the gross income of the recipients thereof and exempt from such taxation. If such calculation is required, the District will immediately cause the County Treasurer-Tax Collector to set aside, from revenues received or accrued during Fiscal Year 2016-17 or, to the extent not available from such revenues, from any other moneys lawfully available, the amount of any such rebate in a separate fund which the District hereby agrees to cause the County Controller to establish and maintain and designate as the "Sequoia Union High School District 2016-17 Tax and Revenue Anticipation Note Rebate Fund."

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

(e) Reliance on Opinion of Bond Counsel. Notwithstanding any provision of this Section, if the District shall obtain an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the District may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

Section 9. Investment of Funds: Proceeds of the Notes shall be deposited in a note proceeds fund which the County Controller is hereby requested to establish as a separate fund in the funds of the District in the County treasury (the "Proceeds Fund"). All money held by the County Treasurer-Tax Collector in the Proceeds Fund and in the Repayment Fund shall be invested to the greatest extent possible at the County Treasurer-Tax Collector's discretion in the County's Pooled Investment Fund and as otherwise permitted by the Government Code and the investment policy of the County, and the proceeds of such investments shall be retained in each such respective Fund; provided, that no proceeds shall be invested for a term that exceeds the term of the Notes. The District acknowledges that neither the County nor the County Treasurer-Tax Collector shall be responsible for the proper expenditure of proceeds of the Notes.

Section 10. Official Statement: The Official Statement relating to the Notes, in substantially the form submitted to and on file with the Secretary of this Board of Trustees, is hereby approved and adopted as the Official Statement of the District with respect to the Notes (the "Official Statement"), with such additions, changes and corrections as the Authorized District Representative may require or approve, and the Registered Municipal Advisor is hereby authorized to distribute copies of such Official Statement in preliminary form to persons who may be interested in purchasing the Notes. The Authorized District Representative is hereby authorized to certify to the Underwriter, on behalf of the District, that the preliminary form of the Official Statement was deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Authorized District Representative is hereby authorized and directed to sign said Official Statement in its final form, including the final pricing information, and the Underwriter is hereby authorized and directed to deliver copies of such Official Statement in final form to all subsequent purchasers of the Notes.

Section 11 Continuing Disclosure: The Authorized District Representative is hereby authorized to execute a Continuing Disclosure Certificate on behalf of the District in substantially the form attached hereto as Exhibit A, with such changes thereto as deemed necessary in order to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate.

Section 12. Notice to California Debt and Investment Advisory Commission: The Authorized District Representative is hereby authorized and directed to cause notices of the proposed sale and final sale of the Notes to be filed in a timely manner with the California Debt and Investment Advisory Commission pursuant to California Government Code Section 8855(g).

Section 13. Filing with Board of Supervisors: The Clerk or the Secretary of this Board of Trustees is hereby authorized and directed to file a certified copy of this resolution with the Board of Supervisors of the County, which shall constitute the request of this Board of Trustees that the Board of Supervisors of the County issue and sell the Notes as soon as practicable, and to simultaneously provide certified copies of this resolution to the Superintendent of Schools of the County and to the County Treasurer-Tax Collector.

Section 14. Further Assurances: The District, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional

proceedings necessary to be taken by them, for the levy, collection and enforcement of the taxes, income, revenue, cash receipts and other moneys pledged hereunder in accordance with law and for carrying out the provisions of this resolution and the Notes.

Section 15. Approval of Actions: All actions heretofore taken by the officers and agents of the District with respect to the sale and issuance of the Notes are hereby approved, and the Superintendent of the District, the Assistant Superintendent, Administrative Services, the Clerk or the Secretary of this Board, and any and all other officers of the District are hereby authorized and directed for and in the name of and on behalf of the District, to do any and all things and take any and all actions relating to the execution and delivery of any and all certificates, requisitions, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this resolution. Whenever the Superintendent of the District is authorized to take any action hereunder, the Authorized District Representative is hereby authorized to take such action on behalf of this Board.

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

PASSED AND ADOPTED this 11th day of May, 2016 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

President of the Board of Trustees
of the Sequoia Union High School District

ATTEST:

Secretary of the Board of Trustees of
the Sequoia Union High School District

EXHIBIT A

CONTINUING DISCLOSURE CERTIFICATE

SECRETARY'S CERTIFICATE

I, Secretary of the Board of Trustees of the Sequoia Union High School District, County of San Mateo, California, hereby certify as follows:

The attached is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Trustees of said District duly and regularly held at the regular meeting place thereof on _____, 2016 and entered in the minutes thereof, of which meeting all of the members of said Board of Trustees 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 480 James Avenue, Redwood City, California, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda. A copy of said agenda is attached hereto.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office. Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Pursuant to Section 13 of said resolution, I have caused a certified copy thereof to be filed with the Board of Supervisors of the County, and copies thereof to be delivered to the Superintendent of Schools of the County and to the County Treasurer-Tax Collector.

WITNESS my hand this _____ day of ____, 2016.

Secretary of the Board of Trustees of
Sequoia Union High School District

NEW ISSUE – BOOK-ENTRY ONLY

RATING: Moody's: "____"
(See "MISCELLANEOUS – Rating" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Sequoia Union High School District, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS."



**[\$[PRINCIPAL AMOUNT]*
SEQUOIA UNION HIGH SCHOOL DISTRICT
(COUNTY OF SAN MATEO, CALIFORNIA)
2016-17 TAX AND REVENUE ANTICIPATION NOTES**

Dated: Date of Delivery

Due: June 30, 2016

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Sequoia Union High School District 2016-17 Tax and Revenue Anticipation Notes (the "Notes") are issued by the County of San Mateo (the "County") on behalf of the Sequoia Union High School District (the "District"), which is located in the County. The Notes are by statute a general obligation of the District. The principal amount of the Notes, together with interest thereon, is payable from taxes, income, revenues, cash receipts and other moneys that are received by or that accrue to the District during fiscal year 2016-17 and that are lawfully available for the payment of current expenses and other obligations of the District. **The District cannot be legally obligated to pay the Notes from revenue of a future year, and the District is not authorized to increase tax rates to repay the Notes in the event other available moneys are insufficient.** As security for the payment of principal of and interest on the Notes, the District has pledged certain Pledged Revenues, as defined herein, to be deposited in a Repayment Fund (as defined herein), at the times and in the amounts described herein. See "THE NOTES – Security and Sources of Payment" herein.

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

Maturity Date	Principal Amount	Interest Rate	Yield*	CUSIP No.†
June 30, 2017	\$ _____	_____ %	_____ %	817409 ____

The Notes will be sold at a competitive public sale conducted on [Pricing Date]. The Notes will be offered when, as and if issued by the County on behalf of the District and received by the Underwriter, subject to approval of their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. It is anticipated that the Notes, in book-entry form, will be available for delivery through DTC in New York, New York, on or about _____, 2016.

This Official Statement is dated _____, 2016.

* Yield certified by the Underwriter. The District takes no responsibility therefor.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the County, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP numbers are subject to change after the issuance of the Notes as a result of various subsequent actions.

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 the 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.

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

The issuance and sale of the Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption under Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy securities in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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

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

The District maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Notes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE NOTES TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

SEQUOIA UNION HIGH SCHOOL DISTRICT

Board of Trustees

Alan Sarver
President

Chris Thomsen
Clerk

Carrie Du Bois
Trustee

Georgia Jack
Trustee

Allen Weiner
Trustee

Abby Hartzell,
Student Trustee

District Administration

James Lianides, Ed.D.
Superintendent

Enrique Navas, MBA
*Assistant Superintendent,
Administrative Services*

County of San Mateo - Board of Supervisors

Warren Slocum – District 4
President

Don Horsley – District 3
Vice-President

Carole Groom – District 2
Member

David Pine – District 1
Member

Adrienne J. Tissier – District 5
Member

County Administration

Sandie Arnott
Treasurer-Tax Collector

Financial Advisor

Keygent LLC
El Segundo, California

Bond and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Paying Agent

San Mateo County Treasurer-Tax Collector
Redwood City, California

TABLE OF CONTENTS

	Page
INTRODUCTION	1
General	1
The District	1
THE NOTES	2
Purpose of the Notes	2
Authority for Issuance	2
General Provisions of the Notes	2
Redemption	3
Security and Sources of Payment	3
Bankruptcy Risks	4
Investment of Note Proceeds and Repayment Fund	4
Sources and Uses of Funds	5
DISTRICT FINANCIAL AND OPERATING INFORMATION	5
State Funding of Education; State Budget Process	5
District Revenues	17
District Expenditures	19
Charter Schools	25
Summary of District Revenues and Expenditures	25
District Cash Flows	27
District Debt Structure	32
Insurance, Risk Pooling and Joint Powers Arrangements	33
SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS	34
District Budget Process and County Review	34
Accounting Practices	35
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS	36
Limitations on Revenues	36
Expenditures and Appropriations	37
LOCAL PROPERTY TAXATION	38
Property Taxation System	38
Assessed Valuation of Property Within the District	39
Tax Rate	43
Tax Collections and Delinquencies	44
TAX MATTERS	47
OTHER LEGAL MATTERS	49
Legal Opinion	49
Legality for Investment in the State of California	49
Continuing Disclosure	49
Absence of Material Litigation	49
MISCELLANEOUS	50
Rating	50
Professionals Involved in the Offering	50
Underwriting	50
Additional Information	50

TABLE OF CONTENTS
(continued)

Page

APPENDIX A PROPOSED FORM OF OPINION OF BOND COUNSEL	A-1
APPENDIX B FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015	B-1
APPENDIX C FORM OF CONTINUING DISCLOSURE CERTIFICATE	C-1
APPENDIX D SAN MATEO COUNTY INVESTMENT POLICY AND DESCRIPTION OF INVESTMENT POOL	D-1
APPENDIX E BOOK-ENTRY ONLY SYSTEM	E-1

[\$[PRINCIPAL AMOUNT]*
SEQUOIA UNION HIGH SCHOOL DISTRICT
(COUNTY OF SAN MATEO, CALIFORNIA)
2016-17 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

General

This Official Statement, which includes the cover page and appendices hereto (the “Official Statement”), is provided to furnish information in connection with the sale of the Sequoia Union High School District 2016-17 Tax and Revenue Anticipation Notes (the “Notes”), as described more fully herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See “OTHER LEGAL MATTERS – Continuing Disclosure” and APPENDIX C herein.

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

Quotations from and summaries and explanations of the Notes, the Resolutions providing for issuance of the Notes, and the Constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, Constitutional provisions and statutes for the complete provisions thereof. Copies of documents referred to herein and information concerning the Notes is available from the District through the Office of the Assistant Superintendent-Administrative Services, 480 James Avenue, Redwood City, California 94062. The District may impose a charge for copying, mailing and handling.

The District

The District is located on the San Francisco Peninsula in the County of San Mateo, California (the “County”) and approximately 25 miles south of San Francisco. It serves students from the communities of Atherton, Belmont, East Palo Alto, Menlo Park, Portola Valley, Redwood City, San Carlos and Woodside.

The District operates four comprehensive high schools, one continuation high school, one dependent charter high school and one adult school. For fiscal year 2015-16, approximately 8,375 students are enrolled in grades 9-12, including special education and continuing education students. Approximately ____ adults are served through the adult school. Approximately [722] students are served in two independent charter high schools that also operate within the District’s boundaries. The District currently employs approximately 878 full-time equivalent employees including certificated (credentialed teaching staff), classified (non-teaching), and management personnel. The District has budgeted a fiscal year 2015-16 general fund revenues of approximately \$117.3 million and general fund expenditures of approximately \$96.0 million. The total assessed valuation of taxable property in the District in fiscal year 2015-16 is approximately \$74.8 billion.

The District is governed by a Board of Trustees consisting of five voting members and one nonvoting student member. The voting members are elected to four-year terms in staggered years, and the student member serves for one school year. The District's day-to-day operations are managed by a board-appointed Superintendent of Schools. The Board of Trustees named James Lianides, Ed.D., as the Superintendent effective July 1, 2010. Dr. Lianides has more than three decades of experience in public education in California including, most recently serving for two years as the District's Assistant Superintendent for Administrative Services and as the Superintendent of the Pacifica School District. Enrique Navas succeeded Mr. Lianides as Assistant Superintendent for Administrative Services. Mr. Navas has more than 25 years of experience in California schools administration, most recently serving as the Assistant Superintendent-Business Services for the Jefferson School District, which is also located in the County.

The District is a "community funded district," which means that it receives a minimal amount of financial support from the State. For additional information about the District's operations and finances, see "DISTRICT FINANCIAL AND OPERATING INFORMATION" herein.

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 resolutions adopted by the Board of Trustees of the District on May 11, 2016 (the "District Resolution") and by the San Mateo County Board of Supervisors (the "Board of Supervisors") on June 7, 2016, authorizing the sale and issuance of the Notes (the "County Resolution" and, together with the District Resolution, the "Resolutions").

General Provisions of the Notes

Issuance and Maturity: The Notes will be dated the date of delivery thereof, and, assuming delivery on July 1, 2016, will mature on June 30, 2017.

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

Form and Registration: The Notes will be issued in fully registered book-entry form only, in denominations of \$5,000 principal amount each or any integral multiple thereof. The Notes will initially

be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Notes. Purchases of Notes under the DTC system must be made by or through a DTC participant, and ownership interests in Notes and any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Notes, beneficial owners will not receive physical certificates representing their ownership interests. See APPENDIX E: “BOOK-ENTRY ONLY SYSTEM.”

Redemption

The Notes are not subject to redemption prior to maturity.

Security and Sources of Payment

The Notes are by statute a general obligation of the District. The principal amount of the Notes, together with interest thereon, are payable from the “Unrestricted Revenues” of the District. Unrestricted Revenues consist of taxes, income, revenues, cash receipts and other moneys which are received by or which accrue to the District for the general fund of the District in fiscal year 2016-17 and which are lawfully available for the payment of current expenses and other obligations of the District. The District has pledged to deposit with the County Treasurer in a special Repayment Fund (a) an amount equal to fifty percent (50%) of the principal amount of the Notes from the first Unrestricted Revenues received by the District during the month ending January 31, 2017, and (b) an amount equal to fifty percent (50%) of the principal amount of the Notes, plus an amount sufficient (when all previous deposits and earnings on the Repayment Fund are taken into account) to pay all principal and interest with respect to the Notes, from the first Unrestricted Revenues received by the District during the month ending May 31, 2017. [To be confirmed] The amounts so pledged are known as the “Pledged Revenues.” The principal of the Notes and the interest thereon will be a first lien and charge against the Pledged Revenues.

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

Although the Notes are a general obligation of the District, the statutory pledge only extends to revenues received or accrued during fiscal year 2016-17, and the District cannot be legally obligated to pay the Notes from revenues of a future year. Other than a statutory entitlement to its share of the county-wide 1% *ad valorem* tax levy, the District has no authority, and cannot be compelled, to levy taxes to pay the principal of or interest on the Notes. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS,” herein.

The District Resolution creates a special fund to be held by the County Treasurer separate and distinct from all other County and District funds and accounts, designated the “Sequoia Union High School District 2016-17 Tax and Revenue Anticipation Notes Repayment Fund” (the “Repayment Fund”). Any moneys placed in the Repayment Fund will be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for payment of the Notes at maturity, will be applied solely for the purposes for which the Repayment Fund is created.

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

Bankruptcy Risks

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

The County Treasurer will be 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, unless the owners of the Notes could trace the funds, the owners do not have a valid lien on the funds set aside for payment of the Notes. In that case, the owners may be merely unsecured creditors of the bankrupt County. There can be no assurances that the owners could successfully so trace the pledged taxes and other revenues. If the County were to file for bankruptcy, the District may be unable to order payment of the Notes from moneys held by the County in the fund set aside for such payment.

If the District were to file for bankruptcy, the County Treasurer may be enjoined from applying set-aside funds to payment of the Notes, or from setting aside any further moneys of the District for such payment.

There may be other adverse effects of a bankruptcy of the County or the District. Regardless of any specific adverse determinations by the court in a bankruptcy of the County or the District, the fact of a bankruptcy of the County or the District could have an adverse effect on the liquidity and value of the Notes.

Investment of Note Proceeds and Repayment Fund

Substantially all of the District's operating funds are held by the County Treasurer and invested pursuant to law and the County's investment policy. Proceeds from the sale of the Notes will be deposited in the treasury of the County in a special Proceeds Fund within the general fund of the District. Moneys set aside for repayment of the Notes will be deposited in the Repayment Fund of the District held in the County treasury and invested by the County Treasurer. All money held by the County Treasurer in the Proceeds Fund and in the Repayment Fund shall be invested, to the greatest extent possible, at the County Treasurer's discretion in the County's Pooled Investment Fund and as otherwise permitted by the Government Code and the investment policy of the County, and the proceeds of such investments shall be deposited in each such respective Fund; provided, that no proceeds shall be invested for a term that exceeds the term of the Notes. See APPENDIX D: "SAN MATEO COUNTY INVESTMENT POLICY AND DESCRIPTION OF INVESTMENT POOL" herein for a description of the County's investment policy, current portfolio holdings and valuation procedures.

Sources and Uses of Funds

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

Sources of Funds	
Principal Amount of Notes	\$
Original Issue Premium	
Total Sources:	\$ <u> </u>
Uses of Funds	
Net Deposit to Note Proceeds Fund	\$
Costs of Issuance ⁽¹⁾	
Underwriter's Discount	
Total Uses:	\$ <u> </u>

⁽¹⁾ Includes bond counsel fees, disclosure counsel fees, financial advisory fees, rating agency fees, printing fees, and other miscellaneous expenses. The District will pay for all of the Costs of Issuance from the proceeds of the Notes.

DISTRICT FINANCIAL AND OPERATING INFORMATION

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (see "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "– Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District projects to receive approximately [6.2]% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately \$8.38 million in fiscal year 2015-16. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "– Allocation of State Funding to School District; Local Control Funding Formula – Attendance" and "– Other District Revenues – Other State Revenues" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may affect the District's revenues and operations, though generally to a lesser extent than these may affect most school districts.

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

Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

The State budget for fiscal year 2013-14 contained a new formula for funding the school finance system (the "Local Control Funding Formula" or "LCFF"). The LCFF replaced the revenue limit funding system and most categorical programs. For "basic aid districts" (now "community funded districts"), local property tax revenues would be used to offset the entire allocation of State funding under the new

formula and such community funded districts would continue to receive certain categorical funds from the State. See “– Allocation of State Funding to School Districts; Local Control Funding Formula” herein for more information.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the “Governor”) must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State’s voters on November 2, 2010 as “Proposition 25,” a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2015-16 State budget on June 24, 2015.

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

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

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as “settle-up.” If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in

subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as “maintenance factor.”

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

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years’ Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution’s definition of the guaranteed amount and settle-up requirement under certain circumstances.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a “base revenue limit” per student multiplied by the district’s student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district’s prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district’s base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State “equalization aid.” To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State’s contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as “basic aid districts,” which are now referred to as “community funded districts.” School districts that received some equalization aid were commonly referred to as “revenue limit districts,” which are now referred to as “LCFF districts.” The District is a community funded district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base revenue limit funding grant (“Base Grant”) per unit of A.D.A. with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency. The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2015-16, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$7,820 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,189 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,403 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$8,801 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

- A 20% supplemental grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 50% of a local education agency's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Of the projected \$25 billion in new funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for Base Grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to Base Grants, 10 cents will go to supplemental grants and 6 cents will go to concentration grants.

Under the new formula, for "basic aid districts" (now, "community funded districts"), local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

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

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

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

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

SB 858. As part of the 2014-15 State Budget, the Governor signed Senate Bill 858 (“SB 858”) which includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Such provisions became effective upon the State voters approval of the constitutional amendments relating to the Rainy Day Fund described above. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an Average Daily Attendance (“A.D.A.”) of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

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

The complete 2014-15 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for K-12 education. The State budget will be affected by national and State economic conditions and other factors over which the District cannot predict and will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State’s ability to fund schools during fiscal year 2015-16 and in future fiscal years. State budget shortfalls in any fiscal year could have a material adverse financial impact on the District.

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

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

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

Dissolution of Redevelopment Agencies. Under California law, a city or county could, and did, prior to California legislation dissolving redevelopment agencies as described below, create a redevelopment agency in territory within one or more school districts. Upon formation of a “project area” of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as “tax increment”) belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the 1% countywide general fund levy) to other local taxing agencies, including school districts, from that time forward. However, special *ad valorem* property taxes (in excess of the 1% general fund levy) collected for payment of debt service on school bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad*

valorem property taxes are not affected or diverted by the operation of a redevelopment agency project area.

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

Commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved were instead deposited in a “redevelopment property tax trust fund” created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in Part 1.85 (commencing with Section 34170) of Division 24 of the State Health and Safety Code (the “Health and Safety Code”). The Health and Safety Code generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller’s administrative costs, in the following order of priority:

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

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

The District continues to receive pass-through payments from the former Belmont, East Palo Alto, Menlo Park, and Redwood City redevelopment agencies with respect to project areas that included a

portion of the District's territory. The District has budgeted \$_____ million in pass-through payments for fiscal year 2015-16, compared to an estimated \$1.54 million the District received in fiscal year 2013-14. The amount of tax increment passed through to the District will gradually increase as the redevelopment agency debt is retired (see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Direct and Overlapping Bonded Debt, Sequoia Union High School District" table in the Official Statement).

2015-16 State Budget. The Governor signed the fiscal year 2015-16 State budget (the "2015-16 State Budget") on June 24, 2015. The 2015-16 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years and setting aside reserves. The 2015-16 State Budget increases spending on education, health care, in-home supportive services, workforce development, drought assistance and the judiciary. The 2015-16 State Budget projects \$115 billion in revenues and transfers, a 3% increase over fiscal year 2014-15. By the end of fiscal year 2015-16, the State's Rainy Day Fund is expected to have a balance of approximately \$3.5 billion. Under the 2015-16 State Budget, the State is expected to repay the remaining \$1 billion in deferrals to schools and community colleges, make the final payment on the \$15 billion in Economic Recovery Bonds used to cover budget deficits since 2002, and reduce outstanding mandate liabilities owed to schools and community colleges by \$3.8 billion.

As it relates to K-12 education, the 2015-16 State Budget provides total funding of \$83.2 billion (\$49.7 billion in general funds and \$33.5 billion in other funds). The 2015-16 State Budget provides Proposition 98 funding for all K-14 education of \$68.4 billion, an increase of \$7.6 billion over fiscal year 2014-15. Since fiscal year 2011-12, Proposition 98 funding for K-12 education has grown by more than \$18.6 billion, representing an increase of more than \$3,000 per student.

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

- Local Control Funding Formula. An increase of \$6 billion in Proposition 98 general funds to continue the State's transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families and youth in foster care. This increase will close the remaining funding implementation gap by more than 51%.
- Career Technical Education. The 2015-16 State Budget establishes the Career Technical Education ("CTE") Incentive Grant Program and provides \$400 million, \$300 million and \$200 million Proposition 98 general funds in fiscal years 2015-16, 2016-17, and 2017-18, respectively, for local education agencies to establish new or expand high quality CTE programs.
- Educator Support. An increase of \$500 million in one-time Proposition 98 general funds for educator support. Of this amount, \$490 million is for activities that promote educator quality and effectiveness, including beginning teacher and administrator support and mentoring, support for teachers who have been identified as needing improvement, and professional development aligned to the State academic content standards. These funds will be allocated to school districts, county offices of education, charter schools, and the State special schools in an equal amount per certificated staff and are available for expenditure over the next three years.
- Special Education. The 2015-16 State Budget includes \$60.1 million in Proposition 98 general funds (\$50.1 million ongoing and \$10 million one time) to implement selected program changes recommended by the task force, making targeted investments that

improve service delivery and outcomes for all disabled students, with a particular emphasis on early education.

- K-12 High-Speed Internet Access. An increase of \$50 million in one-time Proposition 98 funds to support additional investments in internet connectivity and infrastructure, building on the \$26.7 million in one time Proposition 98 funding that was provided in fiscal year 2014-15. This second installment of funding will further upgrade internet infrastructure to reflect the increasing role that technology plays in classroom operations to support teaching and learning.
- K-12 Mandates. An increase of \$3.2 billion in one time Proposition 98 general funds to reimburse K-12 local educational agencies for the costs of State mandated programs. These funds are expected to provide a significant down payment on outstanding mandate debt, while providing school districts, county offices of education and charter schools with discretionary resources to support critical investments such as Common Core implementation.
- K-12 Deferrals. The 2015-16 State Budget provides \$897 million Proposition 98 in general funds to eliminate deferrals consistent with the revenue trigger included in the fiscal year 2014-15 State budget.

The complete 2015-16 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2016-17 State Budget. The Governor released his proposed fiscal year 2016-17 State budget (the “2016-17 Proposed State Budget”) on January 7, 2016. The 2016-17 Proposed State Budget proposes a balanced budget for Fiscal Year 2016-17. The Governor proposes to use funds to pay down outstanding budgetary borrowing including loans from special funds, Proposition 98 settle up obligations, transportation loans, and pension liabilities related to University of California employees. The 2016-17 Proposed State Budget estimates that total resources available in fiscal year 2015-16 will be approximately \$121.2 billion (including a prior year balance of \$3.7 billion) and total expenditures in fiscal year 2015-16 will be approximately \$116.1 billion. The 2016-17 Proposed State Budget projects total resources available for fiscal year 2016-17 of \$125.8 billion, inclusive of revenues and transfers of \$120.6 billion and a prior year balance of \$5.17 billion. The 2016-17 Proposed State Budget projects total expenditures of \$122.6 billion, inclusive of non-Proposition 98 expenditures of \$71.6 billion and Proposition 98 expenditures of \$50.97 billion. The 2016-17 Proposed State Budget proposes to allocate \$966 million of the State general fund’s projected fund balance to the Reserve for Liquidation of Encumbrances and \$2.2 billion of such fund balance to the State’s Special Fund for Economic Uncertainties.

The 2016-17 Proposed State Budget prioritizes a balanced budget for the long term and fully funding the State’s Rainy Day Fund (the “Rainy Day Fund”). The Governor projects that the Rainy Day Fund will have a balance of approximately \$6 billion in fiscal year 2016-17. The 2016-17 Proposed State Budget proposes to make an additional \$2 billion deposit during fiscal year 2016-17 to bring the balance of the Rainy Day Fund to \$8 billion, which is approximately 65% of the target balance. For more information about the Rainy Day Fund, see “– 2015-16 State Budget – Rainy Day Fund” above.

Despite budgetary improvements as compared to recent years, the 2016-17 Proposed State Budget acknowledges that the additional tax revenues from capital gains are temporary in nature and that

the additional revenues from Proposition 30 will expire in 2016 (with respect to the sales tax increase) and 2018 (with respect to the income tax increase). Further, the 2016-17 Proposed State Budget cautions that the State should address several risks, including: the inevitable occurrence of another recession, ongoing fiscal challenges of the federal government, the budget's heavy dependency on the performance of the stock market, the high levels of State debts and liabilities, including unfunded retirement liabilities, and deferred maintenance of the State's roads and other infrastructure.

Certain workload adjustments and budgetary proposals for K-12 education set forth in the 2016-17 Proposed State Budget include the following:

- School District Local Control Funding Formula. The 2016-17 Proposed State Budget proposes to provide \$2.8 billion to continue the implementation of the Local Control Funding Formula. The 2016-17 Proposed State Budget proposes to eliminate almost 50% of the remaining funding gap between actual funding and the target level of funding. The Governor estimates that total Local Control Funding Formula implementation is now 95%.
- County Offices of Education Local Control Funding Formula. An increase of \$1.7 million Proposition 98 General Fund to support a cost-of-living adjustment and A.D.A. changes for county offices of education.
- Proposition 98 Minimum Guarantee. The 2016-17 Proposed State Budget proposes Proposition 98 funding of \$71.6 billion, inclusive of State and local funds, for fiscal year 2016-17 which is expected to satisfy the Proposition 98 minimum guarantee.
- Early Education Block Grant. The 2016-17 Proposed State Budget proposes a \$1.6 billion early education block grant for local educational agencies that will combine Proposition 98 funding from the State Preschool Program, transitional kindergarten, and the preschool Quality Rating and Improvement System Grant.
- Mandate Claims. The 2016-17 Proposed State Budget proposes to allocate approximately \$1.28 billion in one-time moneys to reduce outstanding mandate claims by school districts charter schools, and county offices of education.
- Career Technical Education. The 2015-16 State Budget included resources to support the first year of the Career Technical Education Incentive Grant program, a transitional education and workforce development initiative administered by the California Department of Education. Pursuant to the program, the State will allocate \$400 million in fiscal year 2015-16, \$300 million in fiscal year 2016-17, and \$200 million in 2017-18 in the form of competitive matching grants to school districts, county offices, of education, and charter schools.
- One-Time Discretionary Funding. The 2016-17 Proposed State Budget proposes an increase of more than \$1.2 billion in one-time Proposition 98 General Fund for school districts, charter schools and county offices of education to use at local discretion.
- Charter School Growth. The 2016-17 Proposed State Budget proposes an increase of \$61 million Proposition 98 General Fund to support projected charter school A.D.A. growth.
- Charter School Startup Grants. The 2016-17 Proposed State Budget proposes an increase of \$20 million one-time Proposition 98 General Fund to support operational startup costs

for new charter schools in 2016 and 2017, which is expected to partially offset the loss of federal funding previously available for such purpose.

- Systems of Learning and Behavioral Supports. The 2016-17 Proposed State Budget proposes an increase of \$30 million one-time Proposition 98 General Fund resources to build upon the \$10 million investment included in the 2015-16 State Budget for an increased number of local educational agencies to provide academic and behavioral supports in a coordinated and systematic way.
- Special Education. The 2016-17 Proposed State Budget proposes a decrease of \$15.5 million Proposition 98 General Fund to reflect a projected decrease in Special Education A.D.A.
- Cost-of-Living Adjustment Increases. The 2016-17 Proposed State Budget proposes an increase of \$22.9 million Proposition 98 General Fund to support a 0.47% cost-of-living adjustment for categorical programs, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education Program, which are not funded within the Local Control Funding Formula.
- Local Property Tax Adjustments. The 2016-17 Proposed State Budget proposes a decrease of \$149.4 million Proposition 98 General Fund for school districts and county offices of education in fiscal year 2015-16 as a result of higher offsetting property tax revenues. In addition, the Governor proposes a decrease of \$1.2 billion in Proposition 98 General Fund for school districts and county offices of education in fiscal year 2016-17 as a result of increased offsetting local property tax revenues due to, principally, the end of the “triple flip.”
- School District Average Daily Attendance. As a result of a decrease in projected ADA from the 2015-16 State Budget, the 2016-17 Proposed Budget proposes a decrease of \$150.1 million in 2015-16 for school districts and a decrease of \$34.1 million in fiscal year 2016-17 for school districts.
- Proposition 39. Proposition 39, the California Clean Energy Jobs Act of 2012, has provided increased corporate tax revenues in the State. For fiscal year 2013-14 through fiscal year 2017-18, Proposition 39 requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency. The 2016-17 Proposed State Budget proposes to allocate \$365.4 million to support school district and charter school energy efficiency projects in fiscal year 2016-17.
- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State’s reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The 2016-17 Proposed State Budget proposes to allocate approximately \$7.3 million of such funds to, among other things, truancy reduction, dropout prevention and crime prevention efforts relating to K-12 students. The Governor expects to count such funds towards the Proposition 98 minimum guarantee.

The complete 2016-17 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 therein, and such information is not incorporated herein by such reference.

LAO Overview of 2016-17 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2016-17 Proposed State Budget entitled "The 2016-17 Budget: Overview of the Governor's Budget" on January 11, 2016 (the "2016-17 Proposed Budget Overview"), in which the LAO commends the State for its emphasis on increasing its budget reserves. The LAO notes that such an approach is prudent, as a large reserve may be essential to weathering the next recession. Further, the LAO is generally supportive of the Governor's priorities and the 2016-17 Proposed State Budget's focus on infrastructure, which the LAO notes is aging and in need of renovation and improvements. Nevertheless, the LAO warns that budget vulnerability remains and that cautious budgetary decision making is necessary. For example, the LAO suggests the State begin with robust targets for fiscal year 2016-17 budget reserves and take a measured approach to spending in order to better position the State for any near-term economic downturn.

With respect to the Proposition 98 budget plan in the 2016-17 Proposed State Budget, the LAO believes the Governor's estimated local property tax revenue counting toward Proposition 98 is approximately \$1 billion less than its estimate for 2015-16 and 2016-17. If local property tax revenue comes in higher than the Governor's administration expects, Proposition 98 General Fund costs will be correspondingly lower. However, the LAO cautions that the proposed use of Proposition 98 funding in fiscal year 2016-17 may provide inadequate protection against economic downturn. Thus, the LAO advises against committing all available 2016-17 Proposition 98 funds to ongoing purposes, as a sustained economic slowdown could force the State to cut programs and potentially backpedal in its implementation of the Local Control Funding Formula.

The 2016-17 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 therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2016-17 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 provide any assurances that there will not be any changes in the final fiscal year 2016-17 State budget from the 2016-17 Proposed State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2016-17 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2016-17 State Budget may be affected by national and State economic conditions and other factors which the District cannot predict.

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

District Revenues

General. As part of the 2013-14 State Budget, the formula for determining the level of funding per student changed from the “revenue limit” formula to the “Local Control Funding Formula” (or “LCFF”) discussed above. See “– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula*” herein.

Local property tax revenues account for approximately 98% of the District’s aggregate revenues allocated under the LCFF, and are projected to be \$103.0 million, or 85% of total general fund revenues in fiscal year 2014-15.

The District’s recent A.D.A. history for grades 9 through 12, including special education, is set forth in the table below:

SEQUOIA UNION HIGH SCHOOL DISTRICT TOTAL GRADES 9-12 SECOND PERIOD (P-2) AVERAGE DAILY ATTENDANCE

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
2007-08	7,490
2008-09	7,591
2009-10	7,637
2010-11	7,596
2011-12	7,777
2012-13	7,771
2013-14	8,065
2014-15	7,957
2015-16 ⁽¹⁾	8,107

⁽¹⁾ Projected.

Source: Audited Financial Reports for Fiscal Year 2009-2010 through 2013-14; Second Interim Report for Period Ended January 31, 2016, for fiscal year 2015-16.

The District’s adopted budget and budgeted A.D.A. are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance or the District’s actual funding level for fiscal year 2015-16.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In an LCFF district, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district’s entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the

\$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State's ability to meet the revenue and spending assumptions in the State's adopted budget, and the effect of these changes on school finance. The District's adopted budget and budgeted A.D.A. are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District's actual funding level for fiscal year 2015-16 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

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

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "—Allocation of State Funding to School Districts: Local Control Funding Formula" herein for more information.

Local property tax revenues account for approximately 99.29% of the District's aggregate revenues reported under LCFF sources and are projected to be approximately \$113.0 million, or 83.51% of total general fund revenues in fiscal year 2015-16.

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

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 2.70% (or approximately \$3.65 million) of the District's general fund projected revenues for fiscal year 2015-16.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues which comprise approximately 5.60% (or approximately \$7.58 million) of the District's general fund projected revenues for fiscal year 2015-16. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts

receive lottery funds proportional to their total A.D.A. The District’s State lottery revenue is projected at approximately \$1.33 million for fiscal year 2015-16.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from other local sources, such as interest earnings, which comprise approximately 7.59% (or approximately \$10.27 million) of the District’s general fund projected revenues for fiscal year 2015-16.

District Expenditures

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

In its fiscal year 2015-16 budget, the District estimates that it will expend \$109.3 million in salaries and benefits, or approximately 83.4% of its general fund expenditures. This amount represents an increase of approximately 12% from the \$97.6 million the District estimates it expended in fiscal year 2014-15.

Labor Relations. Approximately ___ full-time and part-time employees are represented by various labor organizations as shown in the table below. The remaining employees are not represented by any formal bargaining unit.

**SEQUOIA UNION HIGH SCHOOL DISTRICT
LABOR ORGANIZATIONS**

Employee Group	Labor Organization	Employees Represented ⁽¹⁾	Contract Expiration
Certificated	Sequoia District Teachers’ Association		June 30, 2016
Classified	American Federation of State, County and Municipal Employees, Local 829		June 30, 2016
Supervisory/Other	Sequoia Supervisors Federation		June 30, 2016
Total			

⁽¹⁾ Includes full-time and part-time employees.
Source: Sequoia Union High School District.

Accrued Vacation. The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2015, was estimated at \$724,558.

Retirement Programs. The District participates in retirement plans with CalSTRS which covers all full-time certificated District employees, and the State Public Employees’ Retirement System (“CalPERS”), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district

contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as “pre-enhancement benefits”) within a 30-year period. However, this surcharge does not apply to system wide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2014, an actuarial valuation (the “2014 CalSTRS Actuarial Valuation”) for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$72.7 billion, a decrease of approximately \$949 million from the June 30, 2013 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2014, June 30, 2013 and June 30, 2012, based on the actuarial assumptions, were approximately 68.5%, 66.9% and 67.0%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2014 CalSTRS Actuarial Valuation: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2014 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See “–Governor’s Pension Reform” below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2014 CalSTRS Actuarial Valuation noted that, as of June 30, 2014, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 32.338% over the next 30 years.

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

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

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The following table sets forth the District’s total employer contributions to CalSTRS for fiscal years 2011-12 through 2014-15 and the projected contribution for fiscal year 2015-16.

**SEQUOIA UNION HIGH SCHOOL DISTRICT
CONTRIBUTIONS TO CALSTRS
FISCAL YEARS 2011-12 THROUGH 2015-16**

Fiscal Year	Contribution
2011-12	\$3,739,973
2012-13	4,021,884
2013-14	4,323,252
2014-15	4,323,252
2015-16 ⁽¹⁾	6,132,626 ⁽¹⁾

⁽¹⁾ Projected. Second Interim Report for fiscal year 2015-16.

Source: Sequoia Union High School District.

The District’s total employer contributions to CalSTRS for fiscal years 2011-12 through 2014-15 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

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

CalPERS. All qualifying classified employees of K-12 districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

According to the CalPERS Schools Actuarial Valuation as of June 30, 2014, the CalPERS Schools plan had a funded ratio of 86.6% on a market value of assets basis. The funded ratio, on a market value basis, as of June 30, 2014, June 30, 2013, June 30, 2011 and June 30, 2010 was 80.5%, 75.5%, 78.7% and 69.5%. In April 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS employed a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term. In November 2015, the CalPERS Board of Administration approved a proposal pursuant to which the discount rate would be reduced by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the current discount rate of 7.5% by at least four percentage points.

In February of 2014, the CalPERS Board of Administration adopted new actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. These new assumptions will apply beginning with the June 30, 2015 valuation for the schools pool, setting employer contribution rates for fiscal year 2016-17. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2011-12 through 2014-15 and the budgeted contribution for fiscal year 2015-16.

**SEQUOIA UNION HIGH SCHOOL DISTRICT
CONTRIBUTIONS TO CALPERS
FISCAL YEARS 2011-12 THROUGH 2015-16**

Fiscal Year	Contribution
2011-12	\$1,673,445,
2012-13	2,049,278
2013-14	2,246,868
2014-15	2,189,589
2015-16	2,441,902 ⁽¹⁾

⁽¹⁾ Projected. Second Interim Report for fiscal year 2015-16.
Source: Sequoia Union High School District.

The District projects employer contributions to CalPERS of approximately \$2.4 million for fiscal year 2015-16. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see “–Governor’s Pension Reform” below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

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

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

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 7 to the District’s financial statements attached hereto as “APPENDIX B – FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015.”

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans (“Statement Number 67”), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions (“Statement Number 68”), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government’s balance sheet (such unfunded liabilities are currently typically included as notes to the government’s financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15. See “APPENDIX B – FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015.”

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

Beginning in fiscal year 2008-09, the District was required to implement Governmental Accounting Standards Board Statement No. 45 (“Statement Number 45”) which directs certain changes in accounting for post-employment healthcare benefits (“OPEB”) in order to quantify a government agency’s current liability for future benefit payments. Statement Number 45 is directed at quantifying and disclosing OPEB obligations, and does not impose any requirement on public agencies to fund such obligations.

On March 1, 2014, Total Compensation Systems, Inc., actuarial consultants, Agoura Hills, California, completed a study of the District’s outstanding post-employment benefit obligations as of February 1, 2014. The report calculates the value of all future benefits already earned by current retirees and current employees, known as the “actuarial accrued liability” (“AAL”). As of the date of the report, the District had an actuarial accrued liability of approximately \$49.1 million for 513 current retirees and beneficiaries and 901 additional future participants. The AAL is an actuarial estimate that depends on a variety of assumptions about future events such as health care costs and beneficiary mortality. Every year, active employees earn additional future benefits, an amount known as the “normal cost”, which is added to the AAL. The report estimated the normal cost at approximately \$2.4 million for the year beginning February 1, 2014. To the extent that the District has not set aside moneys in an OPEB trust with which to pay these accrued and accruing future liabilities, there is an unfunded actuarial accrued liability (“UAAL”). The District has currently no money budgeted for the contribution to the special reserve fund for fiscal year 2014-15.

The annual required contribution (“ARC”) is the amount required if the District were to fund each year’s normal cost plus an annual amortization of the unfunded actuarial accrued liability, assuming the

UAAL will be fully funded over a 30 year period. If the amount budgeted and funded in any year is less than the ARC, the difference reflects the amount by which the UAAL is growing. As of February 1, 2014, the ARC was determined to be \$4.97 million. The report estimates the pay-as-you-go cost of providing retiree health benefits in the year beginning February 1, 2014 to be approximately \$2.3 million.

Charter Schools

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

Two independent charter high schools currently operate in the District's boundaries (with a combined attendance of [720] students): Summit Preparatory High School and Everest Public High School. The District Board of Trustees renewed Summit Preparatory High School's charter in July 2012 and approved Everest Public High School's charter in July 2014.

The District pays revenue in lieu of property taxes based on each charter school's individual LCFF calculation. For fiscal year 2015-16, the District has budgeted a total transfer of in lieu payments to the three charter schools of approximately \$8.1 million, compared to a fiscal year 2014-15 transfer of approximately \$7.7 million.

Summary of District Revenues and Expenditures

The table below summarizes the District's general fund revenue, expenditures and fund balances from fiscal years 2010-11 through 2014-15 (audited) and 2015-16 (budgeted). See "SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS – District Budget Process and County Review" herein for a general description of the annual budget process for State school districts. The District's audited financial statements for the year ending June 30, 2015 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 Board of Trustees by September 15, and the audit report must be filed with the County of San Mateo Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance. For fiscal year 2015-16, the District has budgeted an unrestricted general fund reserve of __%, or approximately \$__ million. Substantially all funds of the District are required by law to be deposited with and invested by the Treasurer-Tax Collector of the County (the "Treasurer-Tax Collector") on behalf of the District, pursuant to law and the investment policy of the County. See APPENDIX F: "SAN MATEO COUNTY INVESTMENT POLICY AND DESCRIPTION OF INVESTMENT POOL."

In fiscal year 2015-16, the District funded a maintenance reserve contribution of \$__ million or __% of the District's revenues.

**SEQUOIA UNION HIGH SCHOOL DISTRICT
GENERAL FUND
REVENUES, EXPENDITURES AND FUND BALANCES
FISCAL YEARS 2011-12 THROUGH 2015-16**

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Projected ⁽¹⁾
REVENUE/RECEIPTS					
LCFF/Revenue Limit Sources⁽²⁾					
State Aid ⁽³⁾	\$(127,192)	\$1,576,948	\$4,829,301		\$4,989,183
Property Taxes	86,412,832	93,583,849	97,889,515		112,899,506
LCFF/Revenue Limit Transfers	(1,704,420)	(3,432,060)	(4,412,741)		(4,182,630)
Federal Revenue	5,139,921	3,130,655	3,234,452	3,061,319	3,651,937
Other State Revenue	6,476,628	5,946,586	3,988,100	5,106,892	7,575,176
Other Local Revenue ⁽⁴⁾	8,913,929	11,121,108	11,773,434	10,985,665	10,266,928
TOTAL	\$105,111,698	\$111,927,086	\$117,302,061	125,104,991	\$135,200,100
EXPENDITURES/ DISBURSEMENTS					
Certificated Salaries	\$45,536,976	\$48,198,291	\$52,711,300	\$55,546,748	\$56,984,297
Classified Salaries	17,102,316	18,278,067	19,079,960	20,613,378	21,371,498
Employee Benefits	23,789,825	24,391,945	26,125,116	27,875,658	30,971,321
Books and Supplies	4,091,932	4,521,604	5,450,210	4,172,636	4,927,849
Services/Other Operating Expenditures	10,638,465	10,963,157	11,615,914	12,399,392	15,027,823
Capital Outlay	182,240	362,954	161,079	417,885	276,307
Other Outgo	1,651,126	1,279,311	1,396,104	2,379,481	1,589,094
Transfers of Indirect/Direct Support Costs	-	-	-	-	-
TOTAL	\$102,992,880	\$107,995,329	\$116,539,683	-	\$131,148,189
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$2,118,818	\$3,931,758	\$762,378	\$1,699,813	\$4,051,911
OTHER FINANCING SOURCES/(USES)					
Transfers In/Other Sources	-	-	-	94,414	86,886
Transfers Out/ Other Uses	\$2,043,331	\$2,493,331	\$4,398,423	(2,576,338)	3,711,595
TOTAL	\$2,043,331	\$2,493,331	\$4,398,423	(2,481,924)	(3,624,709)
EXCESS OF REVENUE, OTHER SOURCES OVER/ (UNDER) EXPENDITURES, OTHER USES					
	\$75,487	\$1,438,427	\$(3,636,045)		
Fund Balance, beginning of year	\$19,244,974	\$19,320,461	\$16,242,184 ⁽⁶⁾	\$18,821,122	\$13,413,107.23
Fund Balance, end of year ⁽⁷⁾	\$19,320,461	\$20,758,888	\$12,606,139	\$18,039,011	\$13,840,309.23

⁽¹⁾ Second interim report approved by the District on March __, 2016.

⁽²⁾ Revenue Limit Sources for fiscal years 2010-11 through 2012-13 and Local Revenue Funding Formula for fiscal years 2013-14 and 2014-15.

⁽³⁾ Fiscal years 2010-11, 2011-12 and 2012-13 do not include Tax Relief Subventions; fiscal years 2013-14 and 2014-15 do include Tax Relief Subventions.

⁽⁴⁾ Includes Fund 17 interest only for fiscal years 2010-11 (\$47,186), 2011-12 (\$53,598), 2012-13 (\$45,712) and 2013-14 (\$72,317).

⁽⁵⁾ In order to implement and fully comply with the requirements of GASB 54, the District restated its beginning fund balance in the General Fund by \$4,730,209 to combine the special reserve fund for other than capital outlay with the general fund.

⁽⁶⁾ The District provided employees with a 2% ongoing salary increase and a one-time 2% salary increase. The District does not expect the ongoing increase to result in a fiscal year 2015-16 deficit.

⁽⁷⁾ The fiscal year 2013-14 ending fund balance included \$4,589,022 in Fund 17 funds but was left off of the fiscal year 2014-15 beginning fund balance.

Sources: Sequoia Union High School District audited actuals for fiscal years 2011-12 through 2014-15; and second interim report for fiscal year 2015-16.

District Cash Flows

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

History of Tax and Revenue Anticipation Note Issuance. To address predictable annual cash flow deficits resulting from the different timing of revenues and expenditures, the District has issued tax and revenue anticipation notes in each recent year as shown in the table below. The District's notes are a general obligation of the District, payable from the District's general fund and any other lawfully available moneys. All required set-asides of moneys to repay the notes issued on _____, 2016 have been deposited in the repayment fund therefor.

SEQUOIA UNION HIGH SCHOOL DISTRICT Tax and Revenue Anticipation Notes Fiscal Year 2001-02 through Fiscal Year 2015-16

Issuance Date	Principal Amount	Interest Rate	Yield	Due Date
July 3, 2002	\$ 9,895,000	3.00%	1.67	July 3, 2003
July 3, 2003	11,895,000	2.00	0.90	July 6, 2004
July 1, 2004	13,000,000	3.00	1.53	June 30, 2005
July 7, 2005	11,500,000	4.00	2.45	July 6, 2006
July 11, 2006	17,000,000	4.50	N/A ⁽¹⁾	July 10, 2007
July 3, 2007	14,750,000	4.25	3.60	July 3, 2008
July 2, 2008	17,000,000	2.50	1.66	June 30, 2009
July 1, 2009	18,000,000	2.50	0.40	July 1, 2010
July 1, 2010	14,000,000	2.00	0.48	July 1, 2011
July 6, 2011	13,000,000	3.00	0.23	July 5, 2012
July 3, 2012	12,500,000	2.00	0.21	July 2, 2013
July 2, 2013	10,000,000	1.50	0.19	July 2, 2014
July 10, 2014	9,815,000	1.00	0.10	July 10, 2015
July 2, 2015	11,960,000	1.00	0.30	June 30, 2016

⁽¹⁾ Fiscal year 2006-07 Tax and Revenue Anticipation Notes yield not disclosed in offering document.

IRS Audit of 2008-09 Tax and Revenue Anticipation Notes. In October 2011, the IRS conducted a random audit of the District's 2009-10 Tax and Revenue Anticipation Notes and concluded that the District failed to meet its deficit. In order to borrow for working capital purposes on a tax exempt basis, the District may only borrow up to its maximum cash flow deficit, plus a working capital reserve. The District's deficit for Fiscal Year 2009-10 was less than initially projected and the District ended up borrowing more than was permissible under federal tax law. As a consequence, the investment of the proceeds of that borrowing were subject to IRS imposed investment restrictions. The District reached a final settlement with the IRS.

General Fund Cash Flows. Exhibits I and II below show actual General Fund cash receipts and disbursements for fiscal year 2014-15, actual General Fund cash receipts and disbursements from July 1

2016 through _____, 2016 and projected General Fund cash receipts and disbursements from _____, 2016 through _____ 2016 for fiscal year 2015-16 and projected cash receipts and disbursements for fiscal year 2016-17. At this time, the District cannot predict the final effect of the Governor's Budget on its fiscal year 2015-16 finances.

Exhibit I
SEQUOIA UNION HIGH SCHOOL DISTRICT
Fiscal Year 2014-15 Actual General Fund Cash Flows

	Actual July 2014	Actual August 2014	Actual September 2014	Actual October 2014	Actual November 2014	Actual December 2014	Actual January 2015	Actual February 2015	Actual March 2015	Actual April 2015	Actual May 2015	Actual June 2015	Actual Accruals	Totals
BEGINNING CASH														
RECEIPTS														
Revenue Limit Sources														
Principal Apportionment														
Property Taxes														
Miscellaneous Funds														
Federal Revenue														
Other State Revenue														
Other Local Revenue														
Interfund Transfers In														
Other Financing Sources														
Other Receipts/Non-Rev.														
TOTAL RECEIPTS														
DISBURSEMENTS														
Certificated Salaries														
Classified Salaries														
Employee Benefits														
Books, Supplies and Services														
Capital Outlay														
Other Outgo														
Interfund Transfers Out														
Other Financing Uses														
Other Disbursements/Non-Exp.														
TOTAL DISBURSEMENTS														
PRIOR YEAR TRANSACTIONS														
Accounts Receivable														
Accounts Payable														
TOTAL PRIOR YEAR TRANSACTIONS														
NET INCREASE/DECREASE														
TRAN RECEIPTS														
TRAN DISBURSEMENTS														
ENDING CASH														
ENDING CASH, PLUS ACCRUALS														

Exhibit III

**SEQUOIA UNION HIGH SCHOOL DISTRICT
Fiscal Year 2016-17 Projected General Fund Cash Flows**

	Projected July 2016	Projected August 2016	Projected September 2016	Projected October 2016	Projected November 2016	Projected December 2016	Projected January 2017	Projected February 2017	Projected March 2017	Projected April 2017	Projected May 2017	Projected June 2017	Projected Accruals	Totals
BEGINNING CASH														
RECEIPTS														
Revenue Limit Sources														
Principal Apportionment														
Property Taxes														
Miscellaneous Funds														
Federal Revenue														
Other State Revenue														
Other Local Revenue														
Interfund Transfers In														
Other Financing Sources														
Other Receipts/Non-Rev.														
TOTAL RECEIPTS														
DISBURSEMENTS														
Certificated Salaries														
Classified Salaries														
Employee Benefits														
Books, Supplies and Services														
Capital Outlay														
Other Outgo														
Interfund Transfers Out														
Other Financing Uses														
Other Disbursements/Non-Exp.														
TOTAL DISBURSEMENTS														
PRIOR YEAR														
TRANSACTIONS														
Accounts Receivable														
Accounts Payable														
TOTAL PRIOR YEAR														
TRANSACTIONS														
NET INCREASE/DECREASE														
TRAN RECEIPTS														
TRAN DISBURSEMENTS														
ENDING CASH														
ENDING CASH,														
PLUS ACCRUALS														

District Debt Structure

General Obligation Bonds. Since 1996, the District has conducted four bond elections and issued bonds and refunding bonds as described below and as summarized in the table that follows. All such bonds are payable from a special *ad valorem* property tax which the County is required to levy in an amount sufficient to pay such obligations.

On November 5, 1996, the voters of the District approved a bond proposition authorizing the issuance of \$45 million of bonds of the District “for repairing deteriorating school roofs, restrooms, and electrical and plumbing systems; removing asbestos; making earthquake safety improvements; modernizing classrooms, science labs, and vocational training facilities; upgrading classrooms for computers and other learning technologies; and constructing school facilities necessary for increased enrollment.” The bonds were issued in three series in 2001, 2002 and 2003.

On November 6, 2001, the District’s voters approved a bond proposition in the amount of \$88 million summarized as follows: “to complete the renovation of classrooms, science labs, and libraries; complete seismic upgrades; build classrooms and other facilities; and for basic modernization of school buildings including replacing deteriorating electrical, heating, plumbing, and other critical systems.” The bonds were issued in two series as shown in the table below. A portion of each series has been refunded through the issuance of refunding bonds.

On November 2, 2004, the District’s voters approved a bond proposition in the amount of \$70 million to finance specific construction and modernization projects approved by the voters, summarized as follows: “to continue the modernization, improvement and expansion of classrooms and facilities for school and community use at local high schools, including Carlmont, Menlo-Atherton, Sequoia and Woodside; to repair, replace, acquire, renovate, construct, furnish and equip school facilities.” The bonds were issued in two series, as shown in the table below.

On February 5, 2008, the District’s voters approved a bond proposition in the amount of \$165 million to finance specific construction and modernization projects approved by the voters, summarized as follows: “upgrade classroom computers; improve energy efficiency; build classrooms for career, technical, and vocational education courses; and to improve, expand, modernize and construct classrooms and facilities at various District sites.” The bonds have been issued in four series, as shown in the table below.

On June 3, 2014, the District’s voters approved a bond proposition in the amount of \$265 million to finance specific construction and modernization projects approved by the voters, summarized as follows: “adding classrooms, science labs, and schools to avoid overcrowding, provide updated classrooms technology, labs, and career technical facilities; renovate aging classrooms and repair, construct, or acquire equipment, classrooms, and facilities.” One series of bonds have been issued, as shown in the table below.

In addition, refunding bonds were issued (i) on May 8, 2003 (the “2003 Refunding Bonds”) for the purpose of refunding a portion of the District’s General Obligation Bonds, Election of 1996, Series 1997, (ii) on August 18, 2005 (the “2005 Refunding Bonds”) for the purpose of refunding a portion of the District’s General Obligation Bonds Election of 1996, Series 1998 and Series 1999, and the District’s General Obligation Bonds, Election of 2001, Series 2002; (iii) on December 20, 2005 (the “2005 Refunding Bonds Issue 2”) for the purpose of refunding a portion of the District’s General Obligation Bonds, Election of 2001, Series 2002 and Series 2003; (iv) on December 21, 2006 (the “2006 Refunding Bonds”) for the purpose of refunding a portion of the District’s General Obligation Bonds, Election of 2001, Series 2002 and Series 2003; (v) on July 14, 2011 (the “2011 Refunding Bonds”) for the purpose of

refunding the District’s outstanding General Obligation Bonds, Election of 2001, Series 2002 and General Obligation Bonds, Election of 2001, Series 2003; (vi) on December 20, 2012 (the “2012 Refunding Bonds”) for the purpose of refunding the District’s outstanding 2003 General Obligation Refunding Bonds and General Obligation Bonds, Election of 2004, Series 2005 (the “Series 2005 Bonds”); (vii) on April 2, 2014 (the “2014 Refunding Bonds”) for the purpose of refunding a portion of the District’s 2005 General Obligation Bonds, General Obligation Bonds, Election of 2004, Series 2005B and 2006 General Obligation Refunding Bonds; and (viii) on March 12, 2015 (the “2015 Refunding Bonds”) for the purpose of refunding all of the District’s remaining General Obligation Bonds, Election of 2004, Series 2005B, and a portion of the District’s remaining outstanding 2008 General Obligation Bonds (Election of 2008, Series A).

**Summary of Outstanding General Obligation Bond Issues
As of May 1, 2016
(Excludes Legally Defeased Bonds)**

Series Name	Issuance Date	Original Principal Amount	Principal Amount Outstanding
Election of 2008			
Series A	June 12, 2008	\$74,000,000	
Series B	July 9, 2009	40,000,000	
Series C-1	April 28, 2011	26,000,000	
Series C-2	April 28, 2011	25,000,000	
Subtotal		<u>\$165,000,000</u>	
Election of 2014			
Series 2014	October 22, 2014	\$112,000,000	
Subtotal		<u>\$112,000,000</u>	
Refunding Bonds			
2005 Refunding Bonds	August 18, 2005	\$24,230,000	
2005 Refunding Bonds Issue 2	December 20, 2005	5,020,000	
2006 Refunding Bonds	December 21, 2006	70,000,000	
2011 Refunding Bonds	July 14, 2011	11,120,000	
2012 Refunding Bonds	December 20, 2012	30,600,000	
2014 Refunding Bonds	April 2, 2014	105,810,000	
2015 Refunding Bonds	March 12, 2015	52,115,000	
Subtotal		<u>\$298,895,000</u>	
Total		<u>\$575,895,000</u>	

Source: Sequoia Union High School District.

Voter-approved bonds and bonds issued to refund such bonds are payable from a special *ad valorem* property tax authorized to be levied by the County as necessary to repay the amounts coming due in each year.

Insurance, Risk Pooling and Joint Powers Arrangements

The District participates in the San Mateo County Schools Insurance Group (“SMCSIG”), a joint venture under a Joint Powers Agreement among 24 local school districts in the County of San Mateo. The District purchases comprehensive general liability, property damage, and workers compensation coverage from SMCSIG, in coverage amounts comparable to other school districts participating in

SMCSIG. For property damage, the District has a deductible of \$5,000 per occurrence; SMCSIG covers damage up to \$250,000 via a self-insured retention, and purchases excess property insurance in the commercial market to a policy limit of \$1 billion per occurrence through Public Entity Property Insurance Program (“PEPIP”). For liability insurance, the District has a deductible of \$1,500 per occurrence; SMCSIG covers liability up to \$250,000 via a self-insured retention, purchases excess general liability coverage through CSAC-EIA to a policy limit of \$5 million per occurrence, and purchases additional excess liability coverage to \$25 million per occurrence through Schools Excess Liability Fund (SELF). The District purchases workers’ compensation coverage in the commercial market through SMCSIG at levels required by statute.

The District shares SMCSIG’s surpluses and deficits in proportion to its participation in SMCSIG. The District’s potential liabilities under its arrangement with SMCSIG are described in “APPENDIX B – FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015”. The District does not directly bear liability for the losses of other members of SMCSIG; however in the event of numerous large local losses, SMCSIG’s self-insured retention fund could be exhausted, and member districts such as the District could be required to make further contributions to cover member claims.

The District is not a member of any other joint powers agencies or authorities.

SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS

District Budget Process and County Review

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

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

The county superintendent must review and approve, conditionally 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 into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the county superintendent no later than September 8. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district’s administration may submit budget revisions for governing board approval.

Subsequent to approval, the county superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the county superintendent determines that a district cannot meet its current or subsequent year’s obligations, the county superintendent will notify the district’s governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the county superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information

regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding year. The District has not received a qualified or negative certification in any of the last fiscal years.

For school districts under fiscal distress, the county superintendent of schools is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent of schools, receive an emergency appropriation from the State, the acceptance of which constitutes an agreement to submit to management of the school district by an administrator appointed by the State Superintendent.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of "State School Fund Apportionment Lease Revenue Bonds" to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its State-appointed administrator) cannot file for bankruptcy.

Accounting Practices

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

Chavan & Associates, LLP, Campbell, California, served as independent auditor to the District and its report for fiscal year ended June 30, 2015 is attached to this Official Statement as APPENDIX B. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of the audit herein that there has been no material change in the financial condition of the District since the audit

was concluded. The District is required by law to adopt its audited financial statements following a public meeting to be conducted no later than January 31 following the close of each fiscal year.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District’s bonds approved at the 1996 election falls within the exception for bonds approved by two-thirds vote. The tax for payment of the District’s bonds approved at the 2001, 2004 and 2008 elections falls within the exception for bonds approved by 55% vote.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

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

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

Article XIII C and Article XIII D of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition

218 added Articles XIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the county treasurer and tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIIC shall not be construed to mean that any owner or Beneficial Owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are restricted as to use and are neither pledged nor available to pay the Bonds.

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

Expenditures and Appropriations

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

Article 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 appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

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

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

In fiscal year 2014-15, the District had an appropriations limit of \$_____ and appropriations subject to the limit of \$_____. For fiscal year 2015-16, the District's appropriations limit is budgeted at \$_____.

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

LOCAL PROPERTY TAXATION

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well. The District received approximately ___% of its total operating revenues from local property taxes in fiscal year 2014-15 and has budgeted to receive approximately ___% of its total operating revenues from local property taxes in fiscal year 2015-16.

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

Assessed Valuation of Property Within the District

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property and of similar properties more recently sold. Likewise, changes in ownership of property and reassessment of such property to market value may lead to increases in aggregate assessed value greater than the actual rate of inflation or the 2% limit on inflation adjustments for properties that have not changed ownership. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues – *Article XIII A of the California Constitution*" herein.

State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. State law also exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling provided that the owner files for such exemption. This exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

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

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

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

**RECENT HISTORY OF DISTRICT TOTAL ASSESSED VALUATION
SEQUOIA UNION HIGH SCHOOL DISTRICT**

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2006-07	\$47,562,812,629	\$6,729,559	\$1,710,014,408	\$49,279,556,596	8.5%
2007-08	51,207,713,270	6,868,420	2,031,429,842	53,246,011,532	8.0
2008-09	54,867,234,071	6,853,060	2,153,172,160	57,027,259,291	7.1
2009-10	56,321,510,869	6,746,126	2,139,472,815	58,467,729,810	2.5
2010-11	56,187,664,730	6,746,910	2,066,572,173	58,260,983,813	(0.4)
2011-12	56,715,980,452	2,558,748	2,030,040,584	58,748,579,784	0.8
2012-13	59,007,857,518	2,558,825	2,012,163,617	61,022,579,960	3.9
2013-14	63,055,786,738	2,437,769	2,247,192,239	65,305,416,746	7.0
2014-15	66,637,257,836	2,437,378	2,162,699,778	68,802,394,992	5.4
2015-16	72,402,791,693	3,168,109	2,437,105,370	74,843,065,172	

Source: California Municipal Statistics, Inc.

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

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

and is assessed on the “unsecured roll.” Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as “utility” property.

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.

**ASSESSED VALUATION AND PARCELS BY LAND USE
SEQUOIA UNION HIGH SCHOOL DISTRICT
FISCAL YEAR 2015-16**

	2015-16 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Agricultural/Rural	\$9,948,403	0.01%	58	0.08%
Commercial/Office	6,972,092,160	9.63	2,907	3.79
Industrial	3,512,624,385	4.85	1,712	2.23
Recreational	69,290,605	0.10	259	0.34
Government/Social/Institutional	113,221,167	0.16	274	0.36
Miscellaneous	<u>79,928,622</u>	<u>0.11</u>	<u>827</u>	<u>1.08</u>
Subtotal Non-Residential	\$10,757,105,342	14.86%	6,037	7.87%
<u>Non-Residential:</u>				
Single Family Residence	\$52,362,923,551	72.32%	57,727	75.27%
Condominium/Townhouse	4,077,739,100	5.63	5,390	7.03
Mobile Home	15,995,020	0.02	406	0.53
Mobile Home Park	25,018,706	0.03	26	0.03
2-4 Residential Units	1,358,041,010	1.88	2,825	3.68
5+ Residential Units/Apartments	3,027,476,404	4.18	172	0.22
Miscellaneous Residential	<u>115,384,627</u>	<u>0.16</u>	<u>349</u>	<u>0.46</u>
Subtotal Residential	\$60,982,578,418	84.23%	66,895	87.22%
Vacant Parcels	\$663,107,933	0.92%	3,762	4.91%
Total	\$72,402,791,693	100.00%	76,694	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

(Remainder of This Page Intentionally Left Blank)

Assessed Valuation of Single-Family Residential Properties. The following table focuses on single-family residential properties only, which comprise approximately 70% of the fiscal year 2015-16 secured assessed value of taxable property in the District. The average fiscal year 2015-16 assessed value per single-family parcel is \$907,079, and the median fiscal year 2015-16 assessed value per single-family parcel is \$609,320.

**ASSESSED VALUATION OF SINGLE FAMILY HOMES
SEQUOIA UNION HIGH SCHOOL DISTRICT
FISCAL YEAR 2015-16**

	No. of Parcels	2015-16 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	57,727	\$52,362,923,551	\$907,079	\$609,320

2015-16 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$99,999	3,461	5.995%	5.995%	\$250,512,341	0.478%	0.478%
\$100,000 - \$199,999	6,996	12.119	18.115	1,000,399,475	1.911	2.389
\$200,000 - \$299,999	5,025	8.705	26.819	1,255,572,478	2.398	4.787
\$300,000 - \$399,999	4,438	7.688	34.507	1,547,699,263	2.956	7.742
\$400,000 - \$499,999	4,383	7.593	42.100	1,973,884,007	3.770	11.512
\$500,000 - \$599,999	4,186	7.251	49.351	2,299,407,645	4.391	15.903
\$600,000 - \$699,999	3,693	6.397	55.749	2,395,148,322	4.574	20.478
\$700,000 - \$799,999	3,581	6.203	61.952	2,685,803,918	5.129	25.607
\$800,000 - \$899,999	3,473	6.016	67.968	2,946,883,132	5.628	31.235
\$900,000 - \$999,999	3,001	5.199	73.167	2,842,917,863	5.429	36.664
\$1,000,000 - \$1,099,999	2,295	3.976	77.142	2,400,916,260	4.585	41.249
\$1,100,000 - \$1,199,999	1,817	3.148	80.290	2,083,935,462	3.980	45.229
\$1,200,000 - \$1,299,999	1,463	2.534	82.824	1,825,613,693	3.486	48.715
\$1,300,000 - \$1,399,999	1,370	2.373	85.198	1,843,970,871	3.522	52.237
\$1,400,000 - \$1,499,999	1,011	1.751	86.949	1,463,070,886	2.794	55.031
\$1,500,000 - \$1,599,999	823	1.426	88.375	1,272,509,605	2.430	57.461
\$1,600,000 - \$1,699,999	685	1.187	89.561	1,128,989,613	2.156	59.617
\$1,700,000 - \$1,799,999	612	1.060	90.621	1,070,939,454	2.045	61.662
\$1,800,000 - \$1,899,999	540	0.935	91.557	997,128,068	1.904	63.567
\$1,900,000 - \$1,999,999	377	0.653	92.210	733,727,933	1.401	64.968
\$2,000,000 and greater	<u>4,497</u>	<u>7.790</u>	100.000	<u>18,343,893,262</u>	<u>35.032</u>	100.000
	57,727	100.000%		\$52,362,923,551	100.000%	

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

Largest Taxpayers in District. The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2015-16 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer’s financial situation and ability or willingness to pay property taxes. In fiscal year 2015-16, the largest single taxpayer owned approximately ___% of the total taxable property in the District. Each taxpayer listed is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

**SEQUOIA UNION HIGH SCHOOL DISTRICT
TOP TWENTY LARGEST TAXPAYERS
FISCAL YEAR 2015-16**

Property Owner	Primary Land Use	2015-16 Assessed Valuation	% of Total ⁽¹⁾
1. Oracle Corporation	Office Building	\$641,638,626	0.89%
2. Google Inc.	Office Building	586,387,887	0.81
3. Wells REIT II-University Circle LP	Office Building	333,161,508	0.46
4. Westport Office Park LLC	Office Building	272,555,675	0.38
5. DWF IV 1400-1500 Seaport Blvd LLC	Office Building	259,000,000	0.36
6. Quadrus Sand Hill LLC	Office Building	235,077,713	0.32
7. Electronic Arts Inc.	Office Building	210,426,829	0.29
8. Leland Stanford Jr. University (2)	Hotel/Office	179,936,768	0.25
9. BRE FMCA LLC	Apartments	173,539,263	0.24
10. Stanford Research Institute	Office Building	164,613,404	0.23
11. Informatica Corporation	Office Building	160,725,808	0.22
12. Richard Tod and Catherine R. Spieker	Apartments	153,719,094	0.21
13. Sand Hill Commons REIT Inc.	Office Building	149,524,704	0.21
14. Irvine Company LLC	Apartments	137,502,776	0.19
15. Teachers Insurance & Annuity Association of America	Apartments	135,682,839	0.19
16. Giant Properties LLC	Office Building	135,042,133	0.19
17. Kilroy Realty LP	Office Building	134,258,348	0.19
18. Octopus Holdings LP	Residential	130,671,617	0.18
19. Menlo PREHC I LLC	Industrial	130,500,528	0.18
20. BRE Properties Inc.	Apartments	<u>129,494,380</u>	<u>0.18</u>
		\$4,453,459,900	6.15%

⁽¹⁾ 2015-16 Local Secured Assessed Valuation: \$72,402,791,693.

⁽²⁾ Taxable property only.

Source: California Municipal Statistics, Inc.

Tax Rate

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

The rate of tax necessary to pay fixed debt service on school bonds and other voter-approved indebtedness in a given year depends on the assessed value of taxable property in that year. The rate of tax imposed on unsecured property for repayment of such bonds and indebtedness is based on the prior year's secured property tax rate. The rate of tax imposed may be affected by economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc.

One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The following table shows *ad valorem* property tax rates for the last several years

in a typical Tax Rate Area of the District (TRA 9-001). TRA 9-001 comprises 10.84% of the total assessed value of taxable property in the District for fiscal year 2015-16.

**SEQUOIA UNION HIGH SCHOOL DISTRICT
SUMMARY OF AD VALOREM TAX RATES
(DOLLARS PER \$100 OF ASSESSED VALUATION)
TRA 9-001**

	2011-12	2012-13	2013-14	2014-15	2015-16
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	1.0000
Midpeninsula Regional Open Space Park District	--	--	--	--	0.0008
Redwood City School District	0.0255	0.0256	0.0240	0.0230	0.0158
Sequoia Union High School District	0.0358	0.0356	0.0313	0.0433	0.0434
San Mateo Community College District	0.0199	0.0194	0.0194	0.0190	0.0250
TOTAL	\$1.0812	\$1.0806	\$1.0747	\$1.0853	\$1.0850

Source: California Municipal Statistics, Inc.

Tax Collections and Delinquencies

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

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

Annual bills for property taxes on the unsecured roll are generally issued in July, are due in a single payment within 30 days, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll. Unsecured taxes remaining unpaid at 5 p.m. on the last day of the second month after the 10% penalty attaches shall be subject to an additional penalty of 1.5%, attaching on the first day of each succeeding month on the amount of the original tax. To collect unpaid taxes, the Treasurer-Tax Collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The Treasurer-Tax Collector may also bring a civil suit against the taxpayer for payment. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount due from taxpayers had been collected. In return, the

County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The County applies the Teeter Plan to general taxes and taxes levied for repayment of school district general obligation bonds.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

The following table shows a recent history of tax payment delinquencies in the District.

**SEQUOIA UNION HIGH SCHOOL DISTRICT
SECURED TAX CHARGES AND DELINQUENCIES**

Fiscal Year ⁽¹⁾	Percent Delinquent June 30
2004-05	2.90%
2005-06	1.08
2006-07	1.47
2007-08	2.11
2008-09	2.12
2009-10	1.82
2010-11	1.20
2011-12	0.95
2012-13	0.69
2013-14	0.52
2014-15	0.49

⁽¹⁾ Debt Service levy only.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective May 1, 2016 for debt issued as of April 27, 2016. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

**SEQUOIA UNION HIGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED DEBT**

2015-16 Assessed Valuation: \$74,843,065,172

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/16</u>
San Mateo Community College District	41.963%	\$ 270,402,869
Sequoia Union High School District	100.000	419,320,000⁽¹⁾
Belmont-Redwood Shores School District and School Facilities Improvement Districts	100.000	125,166,816
Las Lomas School District	100.000	41,360,000
Menlo Park City School District	100.000	121,872,155
Portola Valley School District	100.000	15,570,000
Redwood City School District	100.000	31,768,206
San Carlos School District	100.000	120,560,565
Other School Districts	100.000	34,837,790
City of Menlo Park	100.000	18,345,000
City of San Carlos	100.000	4,190,000
City of San Mateo	2.446	588,385
Midpeninsula Regional Open Space Park District	30.256	13,615,200
City of Belmont Community Facilities District No. 2000-1	100.000	6,340,000
City of Redwood City Community Facilities Districts	100.000	16,085,000
1915 Act Bonds	100.000	5,493,489
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$1,245,515,475</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Mateo County General Fund Obligations	41.963%	\$181,431,150
San Mateo County Board of Education Certificates of Participation	41.963	4,376,741
Portola Valley School District Certificates of Participation	100.000	2,230,522
City of Redwood City General Fund Obligations	100.000	1,711,586
City of San Carlos General Fund Obligations	100.000	7,884,917
City of San Mateo General Fund Obligations	2.446	830,417
Midpeninsula Regional Open Space Park District General Fund Obligations	30.256	37,112,278
Menlo Park Fire Protection District Certificates of Participation	100.000	11,015,000
TOTAL OVERLAPPING GENERAL FUND DEBT		<u>\$246,592,611</u>
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Belmont Redevelopment Agency	100.000%	\$ 13,055,000
East Palo Alto Redevelopment Agency	100.000	19,450,000
Menlo Park Redevelopment Agency	100.000	51,505,000
Redwood City Redevelopment Agency	100.000	19,944,779
San Carlos Redevelopment Agency	100.000	12,860,000
TOTAL OVERLAPPING TAX INCREMENT DEBT		<u>\$116,814,779</u>
COMBINED TOTAL DEBT		<u>\$1,608,922,865⁽²⁾</u>

⁽¹⁾ Excludes the Notes.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$419,320,000)	0.56%
Total Direct and Overlapping Tax and Assessment Debt	1.66%
Combined Total Debt.....	2.15%

Ratios to Redevelopment Incremental Valuation (\$6,100,338,426):

Total Overlapping Tax Increment Debt	1.91%
--	-------

Source: California Municipal Statistics, Inc.

TAX MATTERS

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

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

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

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

the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

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

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

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

OTHER LEGAL MATTERS

Legal Opinion

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

Legality for Investment in the State of California

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Notes to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the “Rule”) notice of the occurrence of certain enumerated events. See APPENDIX C: “FORM OF CONTINUING DISCLOSURE CERTIFICATE” for a description of the specific nature of the notices of events and a summary description of the terms of the Continuing 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.

In the past five years, the District has failed to timely file certain information required by the terms of its previous undertakings under the Rule. With respect to the District’s General Obligation Bonds (Election of 2008) Series B, Series C-1, Series C-2, and its 2011 General Obligation Refunding Bonds, the District failed to include its Second Interim budget report for fiscal year 2011-12 in its annual report for fiscal year 2010-11, and failed to include its First Interim budget report for fiscal year 2012-13 in its annual report for fiscal year 2011-12.

Absence of Material Litigation

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

There are a number of lawsuits and claims routinely pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

MISCELLANEOUS

Rating

Moody's Investors Service ("Moody's") has assigned its municipal note rating of "_____" to the Notes. The rating issued reflects only the views of the rating agency, and any explanation of the significance of such rating should be obtained from Moody's at www.moody.com.

Generally, a rating agency bases its ratings on the information and materials furnished to it, and on investigations, studies, and assumptions of its own. The District has provided certain information to the rating agency which is not included in this Official Statement. There is no assurance that a rating assigned will not be revised downward or withdrawn entirely by a rating agency at any time if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Notes. The District undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP, is acting as Bond Counsel to the District with respect to the Notes. Orrick, Herrington & Sutcliffe LLP will receive compensation from the District contingent upon the sale and delivery of the Notes. Keygent LLC is acting as Financial Advisor to the District with respect to the Notes. Keygent LLC will receive compensation from the District contingent upon the sale and delivery of the Notes.

Underwriting

The Notes were awarded to _____, (the "Underwriter") at a competitive public sale conducted on _____, 2016. The Underwriter is obligated to purchase all of the Notes if any are purchased, the obligation of the Underwriter to purchase the Notes being subject to certain terms and conditions to be satisfied by the District and the County.

The Underwriter has agreed to purchase the Notes from the District at a purchase price of \$_____. 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, and the District makes no representation as to the accuracy thereof. Based on the reoffering price, the original issue premium on the reoffering of the Notes is \$_____, and the Underwriter's discount is \$_____. The Underwriter may offer and sell the Notes to certain dealers and others at prices lower than the public offering price shown on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

Additional Information

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

All data contained herein have been taken or constructed from the District's records and other sources, as indicated.

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

SEQUOIA UNION HIGH SCHOOL DISTRICT

By: _____
James Lianides, Ed.D.
Superintendent

APPENDIX A

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Trustees
Sequoia Union High School District
Redwood City, California

Sequoia Union High School District
2016-17 Tax and Revenue Anticipation Notes
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Sequoia Union High School District (the “District”), which is located in the County of San Mateo, California (the “County”), in connection with issuance by the County on behalf of the District of \$_____ aggregate principal amount of temporary notes designated the “Sequoia Union High School District 2016-17 Tax and Revenue Anticipation Notes” (the “Notes”), issued pursuant to and by authority of a resolution of the Board of Supervisors of the County adopted on June 7, 2016 (the “County Resolution”), at the request of the District pursuant to a resolution of the Board of Trustees of the District adopted on May 11, 2016 (the “District Resolution”), under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code.

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the District Resolution, the County Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the District Resolution, the County Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial

discretion in appropriate cases and to the limitations on legal remedies against school districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

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

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

2. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

APPENDIX B

**FINANCIAL STATEMENTS OF THE DISTRICT FOR THE
FISCAL YEAR ENDED JUNE 30, 2015**

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

SEQUOIA UNION HIGH SCHOOL DISTRICT (COUNTY OF SAN MATEO, STATE OF CALIFORNIA) 2016-17 Tax and Revenue Anticipation Notes

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Sequoia Union High School District (the “District”) of the County of San Mateo, California (the “County”) in connection with the issuance of the Notes named above (the “Notes”) pursuant to a resolution (the “Resolution”) adopted by the Board of Supervisors of the County on June 7, 2016, at the request of the Board of Trustees of the District by its resolution adopted on May 11, 2016. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the District for the benefit of the registered owners of the Notes and in order to assist the Participating Underwriter of the Notes in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(d)(3).

The Notes have a stated maturity of less than 18 months, and as such the offering of the Notes is exempt from S.E.C. Rule 15c2-12(b)(5) (other than paragraph (B)(5)(i)(C) thereof) pursuant to Section (d)(3) of said Rule.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in the 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 the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Note or Notes, including persons holding Notes through nominees or depositories.

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

“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 Event” shall mean any of the events listed in Section 3(a) and 3(b) of the Disclosure Certificate.

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

“Participating Underwriter” shall mean the original underwriter of the Notes, if any, required to comply with the Rule in connection with the offering of the Notes.

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

“Tax-exempt” shall mean that interest on the Notes is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Reporting of Significant Events.

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

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

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

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

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

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

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

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

SECTION 5. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in a filing with the MSRB.

SECTION 6. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Digital Assurance Certification, LLC.

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

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

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

SECTION 8. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the District shall have no obligation under the Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the District to comply with any provision of the Disclosure Certificate, the Participating Underwriters or any Holder 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 the Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and the Holders, and shall create no rights in any other person or entity.

Dated: _____, 2016.

SEQUOIA UNION HIGH SCHOOL DISTRICT

By _____
James Lianides
Superintendent

APPENDIX D

SAN MATEO COUNTY INVESTMENT POLICY AND DESCRIPTION OF INVESTMENT POOL

The following information has been furnished by the Office of the Treasurer-Tax Collector, County of San Mateo. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer-Tax Collector, 555 County Center, 1st Floor, Redwood City, California 94063.

The Board of Supervisors (the “Board”) of the County adopted its 2016 investment policy statement (the “County Investment Policy”) on February 9, 2016. State law requires the Board to approve any changes to the investment policy.

See following page.

**COUNTY OF SAN MATEO
SUMMARY OF INVESTMENTS**

See following page.

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the Notes or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Notes, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Notes, "Issuer" means the District, and "Agent" means the Paying Agent.

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

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their

purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

FORM OF CONTINUING DISCLOSURE CERTIFICATE

SEQUOIA UNION HIGH SCHOOL DISTRICT (COUNTY OF SAN MATEO, STATE OF CALIFORNIA) 2016-17 Tax and Revenue Anticipation Notes

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Sequoia Union High School District (the “District”) of the County of San Mateo, California (the “County”) in connection with the issuance of the Notes named above (the “Notes”) pursuant to a resolution (the “Resolution”) adopted by the Board of Supervisors of the County on June 7, 2016, at the request of the Board of Trustees of the District by its resolution adopted on May 11, 2016. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the District for the benefit of the registered owners of the Notes and in order to assist the Participating Underwriter of the Notes in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(d)(3).

The Notes have a stated maturity of less than 18 months, and as such the offering of the Notes is exempt from S.E.C. Rule 15c2-12(b)(5) (other than paragraph (B)(5)(i)(C) thereof) pursuant to Section (d)(3) of said Rule.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in the 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 the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Note or Notes, including persons holding Notes through nominees or depositories.

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

“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 Event” shall mean any of the events listed in Section 3(a) and 3(b) of the Disclosure Certificate.

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

“Participating Underwriter” shall mean the original underwriter of the Notes, if any, required to comply with the Rule in connection with the offering of the Notes.

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

“Tax-exempt” shall mean that interest on the Notes is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Reporting of Significant Events.

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

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

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

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

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

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

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

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

SECTION 5. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in a filing with the MSRB.

SECTION 6. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Digital Assurance Certification, LLC.

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

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

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

SECTION 8. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the District shall have no obligation under the Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the District to comply with any provision of the Disclosure Certificate, the Participating Underwriters or any Holder 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 the Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and the Holders, and shall create no rights in any other person or entity.

Dated: _____, 2016.

SEQUOIA UNION HIGH SCHOOL DISTRICT

By _____
James Lianides
Superintendent

NOTICE OF INTENTION TO SELL
[\$[Principal Amount]
SEQUOIA UNION HIGH SCHOOL DISTRICT
(County of San Mateo, State of California)
2016-17 TAX AND REVENUE ANTICIPATION NOTES

NOTICE IS HEREBY GIVEN that the above Notes will be offered for public sale by the Board of Supervisors of the County of San Mateo, State of California (the "County"), acting on behalf of Sequoia Union High School District (the "District"), on _____, 2016, up to the hour of 9:30 A.M., California time (or on such other date and time as may be determined by the County as provided in the paragraph below), through the Parity website: <https://www.newissuehome.i-deal.com>, subject to all of the terms and conditions of the Official Notice of Sale describing the Notes, copies of which (along with a Preliminary Official Statement relating to the Notes) may be requested from the Registered Municipal Advisor to the District, Keygent LLC, by email to _____ at _____ (telephone (____) ____-____). **Legal Opinion:** Orrick, Herrington & Sutcliffe LLP, San Francisco, California. The Preliminary Official Statement and Official Notice of Sale will be available at the following link: <http://www.i-dealprospectus.com>.

The date and time of the Note sale may be changed at the sole discretion of the County by providing notice thereof through Parity as soon as practicable prior to the then-scheduled sale date and time of the Notes.

Dated: _____, 2016.

* Preliminary, subject to change

OFFICIAL NOTICE OF SALE

[\$[Principal Amount]*
SEQUOIA UNION HIGH SCHOOL DISTRICT
(County of San Mateo, State of California)
2016-17 TAX AND REVENUE ANTICIPATION NOTES

NOTICE IS HEREBY GIVEN that electronically transmitted bids will be received on behalf of the Board of Trustees of the Sequoia Union High School District (the “District”), for the purchase of \$[Principal Amount]* aggregate principal amount of notes of Sequoia Union High School District, County of San Mateo (herein called the “District”), designated “Sequoia Union High School District 2016-17 Tax and Revenue Anticipation Notes” (herein called the “Notes”) more particularly described herein, on

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

The Treasurer-Tax Collector (the “County Treasurer”) of the County of San Mateo (the “County”), acting on behalf of and in consultation with the District, reserves the right to cancel or reschedule the sale of the Notes or change the terms thereof upon notice given through the Thompson Municipal Market Monitor (www.TM3.com) (the “News Service”) at any time prior to the time bids are to be received. If no legal bid or bids are received for the Notes on said date (or such later date as is established as provided herein) at the time specified, bids will be received for the Notes on such other date and at such other time as shall be designated through the News Service as soon as practicable. As an accommodation to the bidders, telephonic, teletypes or emailed notice of the postponement of the sale date or dates or of a change in the principal payment schedule will be given to any bidder who has requested such notice of the District’s Registered Municipal Advisor: Keygent LLC, by email to Andrew Tuan at andrew.tuan@keygentcorp.com (telephone (310) 322-4222). Failure of any bidder to receive such telephonic, teletyped or emailed notice shall not affect the legality of the sale.

TERMS OF THE NOTES

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

Issue: This Notice governs only the terms of sale, bidding and closing procedures. The terms of issuance, principal and interest repayment, optional redemption, security, tax opinion, and all other information regarding the Notes and the District, are given in the Preliminary Official Statement which each bidder must have obtained and reviewed prior to bidding for the Notes. Copies of the Preliminary Official Statement relating to the Notes may be requested from the Registered Municipal Advisor to the District, Keygent LLC, by email to Andrew Tuan at andrew.tuan@keygentcorp.com (telephone (310) 322-4222). The Notes are only offered by means of the Official Statement, and the District has not authorized the posting of any information or summary about the District or the security for the Notes by i-Deal or any other person.

* Preliminary, subject to adjustment.

**Sequoia Union High School District
2016-17 TRAN – Official Notice of Sale**

Date and Maturity: A single maturity of Notes shall be issued, dated their date of delivery (anticipated to be on July 1, 2016), and will mature one year after their date of delivery (the “Maturity Date,” tentatively June 30, 2017), without possibility of prior redemption.

Interest Rate: The maximum interest rate bid for the Notes may not exceed 3% per annum. Interest is payable only upon the maturity of the Notes. Bidders must specify the rate of interest which the Notes shall bear; provided, that:

- (i) all bids must be for all Notes;
- (ii) all Notes must bear the same rate of interest;
- (iii) no Note shall bear more than one rate of interest;
- (iv) each Note shall bear interest from the date of delivery to the stated Maturity Date at the interest rate specified in the bid;
- (v) the interest rate specified must be in a multiple of 1/1,000 of 1%;
- (vi) the maximum net interest cost (“NIC”) shall not exceed 3%; and
- (vii) interest on the Notes is payable at maturity, calculated on the basis of a 30-day month, 360-day year from the date of the Notes.

TERMS OF SALE

Best Bid: The Notes will be awarded to the best bid on the basis of the annually compounded lowest NIC of the proposal, as calculated by the Registered Municipal Advisor.

If two or more bidders offer bids at the same lowest NIC, the best bid will be the first bid received in the determination of the County Treasurer, whose determination is final; provided, however, that the County Treasurer reserves the right to exercise his discretion and judgment in making the award and may award the Notes on a pro rata basis in such denominations as the County Treasurer shall determine.

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

(1) The bidder has received and reviewed the Preliminary Official Statement and as a condition to bidding on the Notes, has determined that it can comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(2) As of the date of its bid and as of the date of delivery of the Notes, all members of the bidder’s syndicate either participate in The Depository Trust Company, New York, New York (“DTC”) or clear through or maintain a custodial relationship with an entity that participates in said depository.

(3) Keygent LLC, the District’s Registered Municipal Advisor with respect to the Notes, is not a participant in this bidding syndicate or other similar account formed for the purpose of purchasing the Notes directly or indirectly from the District, nor is any parent company, subsidiary of, or entity controlled by or controlling Keygent LLC.

**Sequoia Union High School District
2016-17 TRAN – Official Notice of Sale**

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

Adjustment of Principal Amount: The County Treasurer, in consultation with the District, reserves the right following receipt of bids and determination of the winning bid to increase or decrease the principal amount of the Notes, including as may be necessary to take account of premium bid by the winning bidder, provided that in no event may the adjusted principal amount exceed \$[Principal Amount]. In such event, the County Treasurer, in consultation with the District, will award such amount of Notes and the purchase price of the accepted bid will be adjusted accordingly. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATE BID OR THE INITIAL REOFFERING PRICE AS A RESULT OF ANY CHANGES MADE TO THE STATED PRINCIPAL AMOUNT.**

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

Hand Delivery: Hand delivered bids will not be accepted. All bids must use the i-Deal/Parity bid system.

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

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

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

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

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

Right of Rejection: The County Treasurer reserves the right to reject any and all bids and to waive any irregularity or informality in any bid which does not have a material effect and whose waiver will not change the ranking of the bids received.

Prompt Award: The County Treasurer will take action awarding the Notes or rejecting all bids not later than 26 hours after the expiration of the time herein prescribed for the receipt of the bids, unless

**Sequoia Union High School District
2016-17 TRAN – Official Notice of Sale**

such time of award is waived by the successful bidder. Notice of the award will be given promptly to the successful bidder.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment: Delivery of the Notes through the facilities of DTC will be made to the successful bidder in New York, New York, as soon as the Notes can be prepared, which it is estimated will be on July 1, 2016. Payment for the Notes must be made in funds immediately available in San Francisco, California, on the date of delivery. Any expense of providing immediately available funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the successful bidder or bidders. The cost of printing the Notes will be borne by the District.

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

CUSIP Numbers and Other Fees: It is expected that the successful bidder will apply for CUSIP identification numbers for the Notes, and furnish such numbers to Bond Counsel. It is anticipated that such CUSIP numbers will be printed on the Notes being delivered to DTC, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Notes in accordance with the terms and conditions of its bid. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the District, but the CUSIP Service Bureau charge for the assignment of such numbers shall be paid by the successful bidder. The successful bidder shall also be required to pay all fees required by DTC, the Securities Industry and Financial Markets Association, the Municipal Securities Rulemaking Board, and any other similar entity imposing a fee in connection with the issuance of the Notes.

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

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

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

**Sequoia Union High School District
2016-17 TRAN – Official Notice of Sale**

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

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

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

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

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

Dated: _____, 2016.

/s/ Enrique Navas
Assistant Superintendent, Administrative Services
Sequoia Union High School District

EXHIBIT A

FORM OF REOFFERING PRICE CERTIFICATE

_____, has acted as the underwriter (the "Underwriter") with respect to the Sequoia Union High School District (County of San Mateo, State of California) 2016-17 Tax and Revenue Anticipation Notes (the "Notes"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Tax Certificate to which this Certificate is attached as an exhibit. The Underwriter hereby certifies and represents the following:

1. As of _____, 2016 (the "Sale Date"), the Underwriter (i) reasonably expected to make a bona fide offering of all of the Notes at the prices set forth on the cover of the Official Statement (the "Initial Offering Prices") to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) and (ii) reasonably expected that the respective Initial Offering Price applicable to each maturity would be the first price at which at least 10% of such maturity of the Notes would be sold. At the time the Underwriter agreed to purchase the Notes, based upon then prevailing market conditions, we had no reason to believe any of the Notes would be initially sold to the general public at initial offering prices greater than (or, in the case of obligations sold on a yield basis, at initial yields lower than) the Initial Offering Prices.

2. The aggregate of the Initial Offering Prices is \$_____. The Initial Offering Prices represent fair market prices for the Notes as of the Sale Date.

3. As of the date of execution of this Certificate, all of the Notes have actually been offered to the general public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the Initial Offering Prices and the first price at which at least 10% of each maturity of the Notes has been sold to the general public was the Initial Offering Prices [except for the _____ maturity(ies)].

[4. With respect to the maturity(ies) of the Notes listed in the immediately preceding section, such Notes were continuously offered to the general public at the Initial Offering Price(s) for a period of ___ hours after the Underwriter was awarded the Notes (the "Initial Offering Period"), and the Underwriter made reasonable efforts to sell such Notes to the general public at the Initial Offering Price(s) throughout the Initial Offering Period. During the Initial Offering Period such Notes were not offered to bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers. Market conditions during the Initial Offering Period prevented a substantial amount of such Notes from being sold at or above the Initial Offering Price(s).]

Dated: _____, 2016

[UNDERWRITER]

By: _____
Authorized Representative