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Memo

To Board of Education
From Kyla Johnson-Trammell, Superintendent

Board Meeting Date June 26, 2019

Subject Approval of Form of Series 2019 Measure J Preliminary Official Statement

Action Approve form of Series 2019 Measure J Preliminary Official Statement

Background On April 24th, 2019 this Board approved the issuance and sale of the remaining \$175,000,000 of the District's authorized but unissued Measure J Bonds. At that time the Board approved forms of all the major documents necessary to accomplish the sale of the Series 2019 Measure J Bonds except the Preliminary Official Statement. The Board was advised at that meeting that staff would bring a form of Preliminary Official Statement for approval in late June.

Discussion The District plans to sell the remaining Series 2019, Measure J Bonds into the public capital markets with the help of its Underwriters, Siebert, Cisneros, Shank, LLC, and Stifel Nicolaus, Inc. When the Underwriters approach potential investors, they will use the Preliminary Official Statement as the basis for their discussions. The Preliminary Official Statement describes the bonds and also describes the District's tax base and operations. Pursuant to federal law, the Preliminary Official Statement must be both accurate and complete. The Board must approve the form of the Preliminary Official Statement before the Underwriters can use the document to market the Measure J Bonds, and board approval of the Preliminary Official Statement constitutes a statement by the board that the Preliminary Official Statement is accurate and complete in all material respects.

Fiscal Impact Approval of the Preliminary Official Statement has no fiscal impact to OUSD *per se*, but will constitute the last action the District must take before selling its remaining Measure J Bonds. The sale of the Series 2019 Measure J Bonds will give the district \$175,000,000 to spend on Measure J facilities projects over the next three years.

Attachments Preliminary Official Statement
Resolution 1819-0249

**BOARD OF EDUCATION OF THE
OAKLAND UNIFIED SCHOOL DISTRICT
COUNTY OF ALAMEDA, STATE OF CALIFORNIA**

RESOLUTION NO. 1819-0249

RESOLUTION APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT FOR NOT TO EXCEED \$175,000,000 OF BONDS OF OAKLAND UNIFIED SCHOOL DISTRICT, AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS RELATING TO SAID BONDS

WHEREAS, an election was duly called and regularly held in the Oakland Unified School District (the “District”), County of Alameda (the “County”), State of California (the “State”), on November 6, 2012, pursuant to Section 15100 et seq. of the Education Code of the State of California (the “Education Code”), at which the following bond measure (“Measure J”) was submitted to the electors of the District:

“To improve the quality of Oakland schools and school facilities to better prepare students for college and jobs, to upgrade science labs, classrooms, computers and technology, improve student safety and security, repair bathrooms, electrical systems, plumbing and sewer lines, improve energy efficiency and earthquake safety, shall the Oakland Unified School District be authorized to issue \$475 million in bonds, with an independent citizens oversight committee and annual audits to guarantee funds are spent properly to benefit Oakland children?”; and

WHEREAS, passage of Measure J required a 55% affirmative vote of the votes cast therein, and at least 55% of the votes cast on the proposition were in favor of issuing said bonds; and

WHEREAS, the Board of Education (the “Board of Education”) adopted a resolution on April 24, 2019 (the “Bond Authorizing Resolution”) deeming it necessary and desirable that a portion of said Measure J bonds in two or more series designated the “Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2019A” and “Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2019B (Federally Taxable),” in an aggregate principal amount not exceeding \$175,000,000, be issued according to the terms and in the manner set forth therein (the “Bonds”); and

WHEREAS, there has been submitted and is on file with the Secretary of the Board of Education a proposed form of a Preliminary Official Statement (the “Preliminary Official Statement”), with respect to the proposed issuance of not to exceed \$175,000,000 aggregate principal amount of the Bonds;

NOW, THEREFORE, THE BOARD OF EDUCATION OF THE OAKLAND UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER, AS FOLLOWS:

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

Section 2. Approval of Preliminary Official Statement. The Preliminary Official Statement, substantially in the form submitted to the Board of Education is hereby approved with such changes, additions and corrections as the President of the Board of Education, the Secretary of the Board of Education, the Superintendent, the Chief Business Officer, the Chief Financial Officer of the District or such other officer of the District designated for the purpose (each, an “Authorized District Representative”), may hereby approve. The Authorized District Representative is hereby authorized to execute and deliver the Preliminary Official Statement in substantially said form, with such other changes thereto as the Authorized District Representative may require or approve, including final pricing information, and the District’s approval of the Preliminary Official Statement shall be conclusively evidenced by the execution and delivery thereof.

Section 3. Ratification of Actions. All actions heretofore taken by the officers and agents of the District with respect to the sale, execution and delivery of the Bonds, including the Board of Education’s action to authorize the issuance of the Bonds pursuant to the Bond Authorizing Resolution, and the other transactions authorized and contemplated therein, are hereby approved, confirmed and ratified.

Section 4. Effective Date. This Resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this day, June 26, 2019, by the following vote:

AYES: Jomoke Hinton Hodge, James Harris, Gary Yee, Shanthi Gonzales, Vice President Jody London, President Aimee Eng
NOES: None
ABSTAIN: None
ABSENT: Roseann Torres

APPROVED:



President of the Board of Education
Oakland Unified School District

Attest:



Secretary of the Board of Education
Oakland Unified School District

SECRETARY'S CERTIFICATE

I, Kyla Johnson-Trammell, Secretary of the Board of Education of the Oakland Unified School District, County of Alameda, California, do hereby certify as follows:

The attached is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly held at the regular meeting place thereof on June 26, 2019, and entered in the minutes thereof, at which meeting all of the members of said Board of Education had due notice and at which a quorum was present, and said resolution was adopted by the following vote:

AYES: Jomoke Hinton Hodge, James Harris, Gary Yee, Shanthi Gonzales, Vice President Jody London, President Aimee Eng
NOES: None
ABSTAIN: None
ABSENT: Roseann Torres

An agenda of said meeting was posted at least 72 hours before said meeting at 1000 Broadway, Suite 680, Oakland, California, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda. A copy of said agenda is attached hereto.

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

WITNESS my hand this 27th day of June, 2019.



Kyla Johnson-Trammell
Secretary of the Board of Education
Oakland Unified School District

PRELIMINARY OFFICIAL STATEMENT DATED [JULY 8], 2019

NEW ISSUES – BOOK-ENTRY ONLY

RATINGS: See “MISCELLANEOUS – Ratings.”

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2019 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes. 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 Series 2019 Bonds. See “TAX MATTERS.”

OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)

\$[2019A Par]*
General Obligation Bonds (Election of 2012),
Series 2019A

\$[2019B Par]*
General Obligation Bonds (Election of 2012),
Series 2019B (Federally Taxable)

Dated: Date of Delivery

Due: As shown on the inside front cover herein.

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 Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2019A (the “**Series 2019A Bonds**” or the “**Tax-Exempt Bonds**”), and the Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2019B (Federally Taxable) (the “**Series 2019B Bonds**” or the “**Taxable Bonds**”) and, together with the Series 2019A Bonds, the “**Series 2019 Bonds**”) are being issued by the Oakland Unified School District (the “**District**”) and sold by the County of Alameda (the “**County**”) on behalf of the District (i) to finance specific construction and modernization projects approved by the voters, and (ii) to pay costs of issuance of the Series 2019 Bonds.

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the State of California (the “**State**”) Constitution and other State law. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2019 Bonds, all as more fully described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS” and “RISK FACTORS.”

The Series 2019 Bonds will be issued as current interest bonds. Interest on the Series 2019 Bonds is payable on each February 1 and August 1 to maturity, commencing [February 1, 2020]. Principal of the Series 2019 Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Series 2019 Bonds will be issued in denominations of \$5,000 principal amount, or any integral multiple thereof as shown on the inside front cover hereof.

The Series 2019 Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the Series 2019 Bonds. Individual purchases of the Series 2019 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2019 Bonds purchased by them. See “THE SERIES 2019 BONDS – Form and Registration.” Payments of principal of and interest on the Series 2019 Bonds will be made by U.S. Bank National Association, as paying agent, registrar and transfer agent with respect to the Series 2019 Bonds to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Series 2019 Bonds. See “THE SERIES 2019 BONDS – Payment of Principal and Interest.”

The Tax-Exempt Bonds are subject to redemption prior to maturity as described herein.* See “THE SERIES 2019 BONDS – Redemption.”

[The scheduled payment of principal and interest on the Series 2019 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2019 Bonds by [INSURER]. See “BOND INSURANCE.”]

[Insurer logo]

**See Inside Front Cover for
Maturity Schedules**

The Series 2019 Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriters by Curls Bartling P.C., Oakland, California. Isom Advisors, a Division of Urban Futures, Inc., Walnut Creek, California, serves as

* Preliminary, subject to change.

Municipal Advisor to the District in connection with the issuance of the Series 2019 Bonds. It is anticipated that the Series 2019 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about _____, 2019.

[Siebert Logo]

[Stifel Logo]

Dated: _____, 2019.

MATURITY SCHEDULES

**OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)**

**[\$2019A Par]*
General Obligation Bonds (Election of 2012), Series 2019A**

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield†</u>	<u>CUSIP No.‡ (672325)</u>
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\$ _____ % Term Bonds due August 1, 20__ Yield† _____% CUSIP No.‡ 672325 ____

**[\$2019B Par]*
General Obligation Bonds (Election of 2012), Series 2019B (Federally Taxable)**

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield†</u>	<u>CUSIP No.‡ (672325)</u>
-------------------------------------	-----------------------------	----------------------	---------------	--------------------------------

\$ _____ % Term Bonds due August 1, 20__ Yield† _____% CUSIP No.‡ 672325 ____

* Preliminary, subject to change.

† Yields certified by the Underwriters. The District takes no responsibility therefor.

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

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2019 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2019 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2019 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2019 Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2019 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2019 BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

[Insurance language]

COUNTY OF ALAMEDA, CALIFORNIA

Board of Supervisors

Richard Valle, *President (District 2)*
Keith Carson, *Vice President (District 5)*
Wilma Chan, *Member (District 3)*
Scott Haggerty, *Member (District 1)*
Nate Miley, *Member (District 4)*

Administration

Henry C. Levy, *Treasurer-Tax Collector*
Melissa Wilk, *Auditor-Controller*

OAKLAND UNIFIED SCHOOL DISTRICT

Board of Education

Aimee Eng, *President (District 2)*
Jody London, *Vice President (District 1)*
Shanthi Gonzales, *Member (District 6)*
James Harris, *Member (District 7)*
Jumoke Hinton-Hodge, *Member (District 3)*
Roseann Torres, *Member (District 5)*
Gary Yee, *Member (District 4)*

Administration

Dr. Kyla Johnson-Trammell, *Superintendent*
Gina Murphy-Garrett, *Senior Executive Director, Fiscal Services*
Curtiss Sarikey, *Chief of Staff*
Michael Smith, *Interim General Counsel*
Jody Talkington, *Senior Director, Strategic Projects*
Tim White, *Deputy Chief, Facilities, Planning & Maintenance*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Municipal Advisor

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

Paying Agent

U.S. Bank National Association
San Francisco, California

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OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)

[\$2019A Par]*
General Obligation Bonds (Election of 2012),
Series 2019A

[\$2019B Par]*
General Obligation Bonds (Election of 2012),
Series 2019B (Federally Taxable)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2019 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page and appendices hereto (this “**Official Statement**”), is provided to furnish information in connection with the sale of (i) \$[2019A Par]* aggregate principal amount of Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2019A (the “**Series 2019A Bonds**” or the “**Tax-Exempt Bonds**”) and (ii) \$[2019B Par]* aggregate principal amount of Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2019B (Federally Taxable) (the “**Series 2019B Bonds**” or the “**Taxable Bonds**” and, together with the Series 2019A Bonds, the “**Series 2019 Bonds**”), 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.”

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2019 Bonds. Quotations from and summaries and explanations of the Series 2019 Bonds, the resolutions of the Board of Education of the District (the “**Board of Education**”) and the Board of Supervisors of the County of Alameda (the “**County**”) with respect to the Series 2019 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2019 Bonds.

Copies of documents referred to herein and information concerning the Series 2019 Bonds are available from the District by contacting: Oakland Unified School District, 1000 Broadway, Suite 680, Oakland, California 94607, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District is located in and is approximately coterminous with the City of Oakland, California (the “**City**”), located on the east side of the San Francisco Bay approximately seven miles from San Francisco. The District’s boundaries also include small portions of the neighboring City of Emeryville. The District encompasses approximately

* Preliminary, subject to change.

53.8 square miles, including a diverse economy of industry, services, health care, retail, and other commercial activity. The District was unified in 1952, combining then-existing high school and elementary school districts.

The District currently operates forty-nine elementary schools serving grades K-5, fourteen middle schools serving grades 6-8, five elementary/middle schools serving grades K-8, seven comprehensive senior high schools serving grades 9-12, three middle/high schools serving grades 6-12, and seven alternate high school programs. Thirty-four charter schools currently operate within the District's boundaries. The District has projected enrollment for fiscal year 2018-19 of approximately 36,485 students in grades K-12, not including the students attending the charter schools. As of March 13, 2019, the District has budgeted to employ approximately 4,571.7 full-time equivalent ("FTE") employees, including 2,654.1 FTE certificated (teaching) employees, 1,420.7 FTE classified (non-teaching) employees and 496.9 management, supervisory and confidential employees. The District's projected fiscal year 2018-19 general fund expenditures are approximately \$605.3 million.

The District operates under the jurisdiction of the Alameda County Superintendent of Schools. The District is governed by a Board of Education consisting of seven members. The members of the Board of Education are elected to four-year terms in staggered years. The Superintendent acts as the chief executive officer of the District. Dr. Kyla Johnson-Trammell has served as Superintendent since May 2017. For additional information regarding the Superintendent and the District's financial and fiscal administrative personnel, see APPENDIX B – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – THE DISTRICT – Superintendent and Key Personnel."

In fiscal year 2002-03, the District received an emergency loan from the State of California (the "State"). As long as the emergency loan made by the State to the District remains outstanding, a trustee appointed by the State Superintendent (the "State Trustee") will monitor and review the District's operations, with the power to stay or rescind any action of the Board of Education that may affect the District's financial condition. AB 1840 (defined below) modified the State Trustee position including retitling the position the "Fiscal Oversight Trustee." For additional information regarding the recent history of the District's finances and governance and the powers of the Fiscal Oversight Trustee, see "RISK FACTORS" and APPENDIX B – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – THE DISTRICT – Fiscal Oversight Trustee."

For additional information regarding the District's operations and finances, see APPENDIX B – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX C – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

THE SERIES 2019 BONDS

Authority for Issuance; Plan of Finance

The Series 2019 Bonds are being issued by the District and sold by the County on behalf of the District pursuant to the Constitution and laws of the State, including Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the "Government Code") and Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the Education Code of the State (the "Education Code") and other applicable provisions of law. The Series 2019 Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on May 21, 2019 (the "County Resolution"), at the request of the District by its resolution, adopted by the Board of Education of the District on April 24, 2019 and June 26, 2019 (collectively, the "District Resolution"). The Series 2019 Bonds are issued pursuant to a paying agent agreement, dated as of [July] 1, 2019 (the "Paying Agent Agreement"), by and between the District and U.S. Bank National Association, as paying agent (the "Paying Agent"), and acknowledged by the Treasurer-Tax Collector of the County of Alameda (the "County Treasurer").

The District received authorization to issue bonds of the District in an aggregate principal amount not to exceed \$475,000,000 to finance specific school facility construction, repair and improvement projects pursuant to an election held on November 6, 2012 (the "2012 Authorization"). The measure required approval by at least 55% of the votes cast by eligible voters within the District and received an affirmative vote of approximately 84.39%. The District caused to be issued \$120,000,000 of Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2013 on September 21, 2013, the first series of authorized bonds issued under the 2012 Authorization; \$175,000,000 of Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2015A on

August 20, 2015, the second series of authorized bonds issued under the 2012 Authorization; and \$5,000,000 of Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2015B (Federally Taxable) on August 20, 2015, the third series of authorized bonds issued under the 2012 Authorization. The Series 2019 Bonds represent the fourth and fifth series of the authorized bonds to be issued under the 2012 Authorization and will be issued to finance authorized projects. There will be no remaining unissued amount of the 2012 Authorization following the issuance of the Series 2019 Bonds.

Form and Registration

The Series 2019 Bonds will be issued in fully registered form only, in denominations of \$5,000 principal amount or integral multiples thereof. The Series 2019 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Series 2019 Bonds. Purchases of Series 2019 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in each series of the Series 2019 Bonds or any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2019 Bonds, beneficial owners (“Beneficial Owners” or “Owners”) will not receive physical certificates representing their ownership interests. Principal and interest will be paid by the Paying Agent to DTC, which will in turn remit such payments to its participants, for subsequent distribution to Beneficial Owners of the Series 2019 Bonds, as described herein. See APPENDIX G – “BOOK-ENTRY ONLY SYSTEM.”

Payment of Principal and Interest

The Series 2019 Bonds will be dated the date of their delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an “**Interest Payment Date**”), commencing on [February 1, 2020], computed using a year of 360 days consisting of twelve 30-day months. Each Series 2019 Bond authenticated and registered on any date prior to the close of business on [January 15, 2020] will bear interest from the date of their delivery. Series 2019 Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date (the “**Record Date**”) and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Series 2019 Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Series 2019 Bond, interest is then in default on outstanding Series 2019 Bonds, such Series 2019 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Payment of interest on any Series 2019 Bond on each Interest Payment Date (or on the following business day, if the Interest Payment Date does not fall on a business day) will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the preceding Record Date, such interest to be paid by check or draft mailed to such Owner at such Owner’s address as it appears on such registration books or at such other address as the Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of an aggregate principal amount of \$1,000,000 or more of Series 2019 Bonds may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the applicable Record Date.

Principal of the Series 2019 Bonds is payable on August 1 of each year, on the dates set forth in the maturity schedules on the inside cover page hereof, upon surrender thereof at such office of the Paying Agent as the Paying Agent shall designate. The interest, principal and premiums, if any, on the Series 2019 Bonds will be payable in lawful money of the United States of America from moneys on deposit in the interest and sinking fund of the District (the “**Interest and Sinking Fund**”) within the County treasury, consisting of *ad valorem* property taxes collected and held by the County Treasurer, together with any accrued interest received upon issuance of the Series 2019 Bonds.

So long as all outstanding Series 2019 Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of principal of, premium, if any, and interest on the Series 2019 Bonds and all notices with respect to such Series 2019 Bonds will be made and given, respectively, to such securities depository or its nominee and not to Beneficial Owners. So long as the Series 2019 Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer.

Redemption*

Optional Redemption of Series 2019A Bonds. The Series 2019A Bonds maturing on or before August 1, 20[27], are not subject to optional redemption prior to their respective stated maturity dates. The Series 2019A Bonds maturing on or after August 1, 20[28], are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after August 1, 20[27], at a redemption price equal to 100% of the principal amount of Series 2019A Bonds to be redeemed, without premium, together with interest accrued thereon to the date fixed for redemption.

Optional Redemption of Series 2019B Bonds. The Series 2019B Bonds are not subject to optional redemption prior to maturity.

Mandatory Sinking Fund Redemption of Series 2019A Bonds. The \$_____ Term Series 2019A Bond maturing on August 1, 20__, is also subject to mandatory sinking fund redemption on each mandatory sinking fund redemption date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
†	

The principal amount to be redeemed in each year shown in the table above will be reduced at the option of the District, in integral multiples of \$5,000, by the amount of such Term Series 2019A Bond optionally redeemed prior to the mandatory sinking fund redemption date, if any.

Mandatory Sinking Fund Redemption of Series 2019B Bonds. The Series 2019B Bonds are not subject to mandatory sinking fund redemption prior to maturity.

Selection of Bonds for Redemption. If less than all of the Series 2019 Bonds are called for redemption, the Series 2019 Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District. If less than all of the Series 2019 Bonds of any given maturity are called for redemption, the portions of such Series 2019 Bonds of a given maturity to be redeemed will be determined by lot. For purposes of such selection, each Series 2019 Bond will be deemed to consist of individual Series 2019 Bonds of denominations of \$5,000 principal amount each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of the Series 2019 Bonds will be given by the Paying Agent. Notice of redemption of the Series 2019 Bonds will be mailed postage prepaid, not less than 20 nor more than 60 days prior to the date fixed for redemption (i) by first-class mail to the respective Owners thereof at the addresses appearing on the bond registration books of the Paying Agent and (ii) as may be further required in accordance with the Continuing Disclosure Certificate. See APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Each notice of redemption shall contain all of the following information: (i) the date of such notice; (ii) the name of the affected Series 2019 Bonds and the date of issue of the Series 2019 Bonds; (iii) the date fixed for redemption; (iv) the redemption price; (v) the dates of maturity of the Series 2019 Bonds to be redeemed; (vi) if less than all of the then outstanding Series 2019 Bonds are to be redeemed, the distinctive serial numbers of the Series 2019 Bonds of each maturity to be redeemed; (vii) in the case of Series 2019 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2019 Bonds of each maturity to be redeemed; (viii) the CUSIP

* Preliminary, subject to change.

number, if any, of each maturity of Series 2019 Bonds to be redeemed; (ix) a statement that such Series 2019 Bonds must be surrendered by the Owners at the office of the Paying Agent designated by the Paying Agent for such purpose; (x) notice that further interest on such Series 2019 Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by any Owner of any Series 2019 Bond of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Series 2019 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as provided for in the Paying Agent Agreement, and when the redemption price of the Series 2019 Bonds called for redemption is set aside for the purpose as described in the Paying Agent Agreement, the Series 2019 Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2019 Bonds at the place specified in the notice of redemption, such Series 2019 Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2019 Bonds so called for redemption after such redemption date will look for the payment of such Series 2019 Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the Interest and Sinking Fund of the District or the escrow fund established for such purpose. All Series 2019 Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

Conditional Notice. Any notice of optional redemption delivered in accordance with the Paying Agent Agreement may be conditioned on any fact or circumstance stated therein, and if such condition will not have been satisfied on or prior to the redemption date stated in such notice, said notice will be of no force and effect on and as of the stated redemption date, the redemption will be cancelled, and the District will not be required to redeem the Series 2019 Bonds that were the subject of the notice. The Paying Agent will give notice of such cancellation and the reason therefor in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Series 2019 Bond of notice of such cancellation will not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice will not affect the validity of the cancellation.

Rescission of Notice of Redemption. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Series 2019 Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2019 Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Series 2019 Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Defeasance of Bonds

The District may pay and discharge any or all of the Series 2019 Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient in the opinion of a certified public accountant licensed to practice in the State to pay and discharge the indebtedness on such Series 2019 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If at any time the District pays or causes to be paid or there shall otherwise be paid to the Owners of any or all outstanding Series 2019 Bonds all of the principal, interest and premium, if any, represented by such Series 2019 Bonds when due, or as described above, or as otherwise provided by law, then such Owners shall cease to be entitled to the obligation of the County to levy and collect taxes to pay the Series 2019 Bonds and such obligation and all agreements and covenants of the District and of the County to such Owners under the Paying Agent Agreement and the Series 2019 Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District

will remain liable for payment of all principal, interest and redemption premium, if any, represented by the Series 2019 Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment, provided, that the unclaimed moneys provisions described below shall apply in all events.

Unclaimed Moneys

Any money held in any fund created pursuant to the Paying Agent Agreement, or held by the Paying Agent in trust, for the payment of the principal of, redemption premium, if any, or interest on the Series 2019 Bonds and remaining unclaimed for two years after the principal of all of the Series 2019 Bonds has become due and payable (whether by maturity or upon prior redemption) will be transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District (the “**General Fund**”) as provided and permitted by law.

Application of Series 2019 Bond Proceeds

The proceeds from the sale of the Series 2019 Bonds, exclusive of any premium and accrued interest received, if any, will be deposited in the County treasury to the credit of the building fund of the District (the “**Building Fund**”). Any premium or accrued interest received will be deposited in the Interest and Sinking Fund in the County treasury. Earnings on the investment of moneys in either fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Building Fund may only be applied for the purposes for which the Series 2019 Bonds were approved. Moneys in the Interest and Sinking Fund may only be applied to make payments of interest, principal, and premium, if any, on bonds of the District.

All funds held by the County Treasurer under the Resolutions and the Paying Agent Agreement will be invested in the County Treasurer’s investment pool, the State Treasurer’s Local Agency Investment Fund, or any investment authorized pursuant to Sections 53601 and 53635 of the Government Code, all pursuant to law and the investment policy of the County. At the written direction of the District, all or any portion of the Building Fund may be invested in the Local Agency Investment Fund in the treasury of the State, and all or any portion of the Building Fund may be invested on behalf of the District in investment agreements, including guaranteed investment contracts, which comply with the requirements of Section 148 of the Internal Revenue Code of 1986 (the “**Code**”) and the requirements of each rating agency then rating the Series 2019 Bonds (if any) necessary to maintain the then-current rating on the Series 2019 Bonds. See APPENDIX F – “COUNTY OF ALAMEDA ANNUAL INVESTMENT POLICY AND INVESTMENT REPORT.”

Bond Insurance

Concurrently with the issuance of the Series 2019 Bonds, [Insurer] (the “Insurer” or “[____]”) will issue its Municipal Bond Insurance Policies for the Series 2019 Bonds (collectively, the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2019 Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement. See “BOND INSURANCE” and APPENDIX H – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2019 Bonds are expected to be applied as follows:

	<u>Series 2019A</u> <u>Bonds</u>	<u>Series 2019B</u> <u>Bonds</u>	<u>Total</u>
Sources of Funds			
Par Amount			
[Net] Original Issue Premium			
Total Sources of Funds:			
Uses of Funds			
Deposit to Building Fund			
Deposit to Interest and Sinking Fund			
Costs of Issuance ⁽¹⁾			
Underwriters' Discount			
Total Uses of Funds:			

⁽¹⁾ Includes fees for Bond Counsel, Disclosure Counsel, Municipal Advisor, Paying Agent, printing, rating agencies, bond insurance premium and other miscellaneous expenses.

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DEBT SERVICE SCHEDULES

Semi-Annual Debt Service Payments for the Series 2019 Bonds

The following table shows the semi-annual debt service requirements of the Series 2019 Bonds, assuming no early redemptions:

<u>Period Ending</u>	<u>Series 2019A Bonds</u>		<u>Series 2019B Bonds</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
8/1/2019					
2/1/2020					
8/1/2020					
2/1/2021					
8/1/2021					
2/1/2022					
8/1/2022					
2/1/2023					
8/1/2023					
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8/1/2044					
2/1/2045					
8/1/2045					
2/1/2046					
8/1/2046					
2/1/2047					
8/1/2047					
2/1/2048					
8/1/2048					
Total	_____	_____	_____	_____	_____

Combined Annual Debt Service

In addition to the Series 2019 Bonds, the District has other outstanding series of bonds that are on parity with the Series 2019 Bonds. See APPENDIX B – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – District Debt Structure.” Prior to issuance of the Series 2019 Bonds, annual debt service obligations for all outstanding bonds of the District, including the Series 2019 Bonds (assuming no optional redemptions prior to maturity) are expected to be as follows:

Period Ending (August 1)	Outstanding Bonds⁽¹⁾	Series 2019A Bonds	Series 2019B Bonds	Total Annual Debt Service
2019	\$75,937,304			
2020	79,550,727			
2021	81,409,727			
2022	84,724,502			
2023	85,956,052			
2024	87,506,202			
2025	87,010,778			
2026	82,344,478			
2027	63,808,078			
2028	64,784,063			
2029	65,855,573			
2030	67,214,553			
2031	59,079,875			
2032	47,317,664			
2033	44,680,390			
2034	42,467,062			
2035	26,572,900			
2036	26,829,800			
2037	27,095,350			
2038	27,369,100			
2039	17,717,150			
2040	17,732,500			
2041	4,403,250			
Total	\$1,267,367,075			

⁽¹⁾ Debt service on the District’s Taxable General Obligation Bonds (Election of 2006, Series 2009B) (Build America Bonds) and the District’s Taxable General Obligation Bonds (Election of 2006, Series 2012B) (Qualified School Construction Bonds) reflects debt service net of subsidy and based on current sequestration rates.

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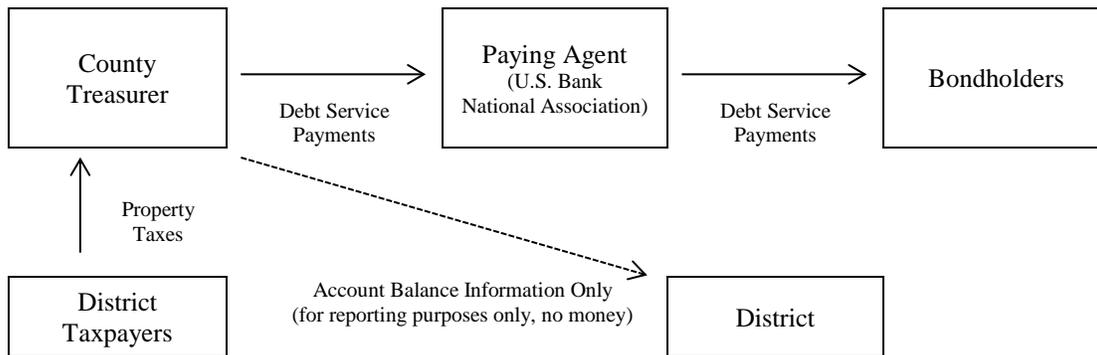
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on a school district's bonds, the board of supervisors of the county, the superintendent of schools of which has jurisdiction over such school district, is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by such school district, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the school district. The assessor of the county in which the school district lies must annually certify to the board of supervisors the assessed value of all taxable property in the county situated in the school district. The board of supervisors must levy upon the property of the school district within its own county the rate of tax that will be sufficient to raise not less than the amount needed to pay the interest and any portion of the principal of the bonds that is to become due during the year.

Accordingly, the Board of Supervisors of the County must levy upon the property of the District the rate of tax that will be sufficient to provide sufficient funds for repayment of principal and interest when due on the Series 2019 Bonds. When collected, the tax revenues will be deposited in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District. Moneys in the Interest and Sinking Fund will be invested on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section 53601 *et seq.* or Section 53635 *et seq.* of the California Government Code by the County Treasurer, and consistent with the investment policy of the County. See APPENDIX F – "COUNTY OF ALAMEDA ANNUAL INVESTMENT POLICY AND INVESTMENT REPORT."

The following diagram illustrates the flow of property taxes from District taxpayers to the Interest and Sinking Fund, and from there to bondholders.



Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the Series 2019 Bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

Pursuant to the Resolution, the District pledges all revenues from the property taxes collected from the levy by the Board of Supervisors for the payment of the Series 2019 Bonds and the outstanding bonds of the District issued

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

The Resolution provides that this pledge is an agreement between the District and the bondholders to provide security for the Series 2019 Bonds in addition to any statutory lien that may exist, and the Series 2019 Bonds and each of the other District Bonds secured by the pledge are or were issued to finance one or more of the projects specified in the applicable voter-approved measure.

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 receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer and tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the county treasurer and tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

As mandated by law, the County Treasurer has sole responsibility for the levy and collection of the tax imposed to pay the principal of and interest on the District’s bonds. Pursuant to State law, the proceeds of the tax levy are never in the custody of the District or available for any other purpose, and are at all times segregated from the operating revenues of the District. The District has no role in the process of taxation and payment of the District’s bonds. Although the District may have legal authority to supplement the payments on its bonds by transferring operating revenues to the Interest and Sinking Fund administered by the County Treasurer, there is no statutory obligation that the District uses its operating revenues to support its bonds in this way. It should not be inferred that the principal of or interest on the Series 2019 Bonds is payable from the District’s General Fund or from State revenues.

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2018-19 assessed value of \$57,556,383,413. All property (real, personal and intangible) is taxable unless an exemption is granted by the State Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization (the “**Board of Equalization**”).

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

regular assessment roll is completed. See “– Appeals of Assessed Valuation; Blanket Reductions of Assessed Values” below.

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

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

The following table shows the assessed valuation of the various classes of property in the District for recent fiscal years.

**Oakland Unified School District
(County of Alameda, California)
Assessed Valuations
Fiscal Years 2004-05 through 2018-19**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2004-05	\$26,718,830,029	\$79,048,063	\$1,975,377,642	\$28,773,255,734	-
2005-06	29,544,549,594	77,961,166	2,120,081,747	31,742,592,507	10.32%
2006-07	33,174,718,874	69,846,294	2,153,409,965	35,397,975,133	11.52
2007-08	36,532,402,606	38,365,380	2,217,827,560	38,788,595,546	9.58
2008-09	38,361,093,139	36,601,757	2,244,430,090	40,642,124,986	4.78
2009-10	36,970,846,568	20,111,731	2,411,540,443	39,402,498,742	(3.05)
2010-11	35,395,239,449	17,942,547	2,713,192,555	38,126,374,551	(3.24)
2011-12	35,751,945,435	19,640,604	2,727,442,229	38,499,028,268	0.98
2012-13	36,271,770,017	16,985,541	2,892,634,324	39,181,389,882	1.77
2013-14	37,502,395,457	16,319,551	2,833,029,883	40,351,744,891	2.99
2014-15	40,091,358,068	15,070,688	2,809,510,293	42,915,939,049	6.35
2015-16	44,159,989,483	20,517,048	2,822,888,936	47,003,395,467	9.52
2016-17	47,249,996,605	24,317,524	3,004,666,994	50,278,981,123	6.97
2017-18	51,172,486,419	19,326,302	2,671,638,336	53,863,451,057	7.13
2018-19	54,758,322,398	16,660,059	2,781,400,956	57,556,383,413	6.86

Source: California Municipal Statistics, Inc.

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

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

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

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

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

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

Risk of Decline in Property Values; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including an earthquake, or a depressed real estate market due to general economic conditions in the County, the region, and the State.

The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding Bay Area. Three major earthquake faults that comprise the San Andreas fault system extend through

the Bay Area, including the San Andreas fault, the Hayward fault, and the Calaveras fault. On August 24, 2014, an earthquake occurred in Napa, California. The tremor's epicenter was located approximately 3.7 miles northwest of American Canyon near the West Napa Fault and registered 6.0 on the Richter scale of earthquake intensity. The Napa earthquake caused fires, damaged buildings and roads, and injured approximately 200 people. The Napa earthquake was the largest earthquake in the Bay Area since the 1989 Loma Prieta earthquake on the San Andreas Fault, which was centered about 60 miles south of Oakland and registered 6.9 on the Richter scale of earthquake intensity. The Loma Prieta earthquake caused fires and collapses of and structural damage to buildings, highways and bridges in the Bay Area.

In August 2016, the 2014 Working Group on California Earthquake Probabilities (a collaborative effort of the United States Geological Survey, the California Geological Society and the Southern California Earthquake Center) issued a revised report that states there is a 72% chance that one or more earthquakes of magnitude 6.7 or larger will occur in the Bay Area before the year 2043. Such earthquakes may be very destructive. Property within the District could sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, drought, toxic dumping, acts of terrorism, etc., or 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). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2019 Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase.

Drought. In recent years California has experienced severe drought conditions. In January 2014, the Governor declared a state-wide Drought State of Emergency due to the State facing serious water shortfalls due to the driest year in recorded history in the State and the resultant record low levels measured in State rivers and reservoirs. The California State Water Resources Control Board (the "**State Water Board**") subsequently issued a statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor of the State lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. It is not possible for the District to make any representation regarding the extent to which drought conditions could cause reduced economic activity within the boundaries of the District or the extent to which the drought has had or may have in the future on the value of taxable property within the District.

Wildfire. In recent years, portions of California, including adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, such as the Camp Fire in Butte County which burned over 150,000 acres, destroyed over 18,000 structures, and caused approximately \$16.5 billion in damage. Property damage due to wildfire could result in a significant decrease in the assessed value of property in the District. It is not possible for the District to make any representation regarding the extent to which wildfires could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact the value of taxable property within the District.

In October 1991, a firestorm on the hillsides of northern Oakland and southeastern Berkeley burned 1,520 acres and destroyed over two thousand single-family homes and hundreds of apartment and condominium units. The economic loss from the fire was estimated at \$1.5 billion.

Risk of Sea Level Changes and Flooding. In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council and titled "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property in the State is at risk of flooding as a result of a 1.4 meter sea level rise. The paper further estimates that the replacement value of this property totals nearly \$100 billion (in year 2000 dollars). The District may be particularly vulnerable to impacts associated with sea level rise due to development on its coastline. A wide range of critical infrastructure, such as roads, airports, hospitals, schools,

emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

The District is unable to predict whether sea level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the financial condition of the District and the local economy.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.5% of the assessed valuation of taxable property within its boundaries. The District's gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately \$1.4 billion and its net bonding capacity is approximately \$[560.5] million, prior to the issuance of the Series 2019 Bonds. Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

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Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of property within the District's boundaries for fiscal year 2018-19.

**Oakland Unified School District
(County of Alameda, California)
2018-19 Assessed Valuation by Jurisdiction**

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Emeryville	\$ 629,329	0.00%	\$ 5,622,825,487	0.01%
City of Oakland	<u>57,555,754,084</u>	<u>100.00</u>	58,876,019,456	97.76
Total District	\$57,556,383,413	100.00%		
Alameda County	\$57,556,383,413	100.00%	\$289,798,647,442	19.86%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows a distribution of taxable property located in the District on the fiscal year 2018-19 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**Oakland Unified School District
(County of Alameda, California)
2018-19 Local Secured Assessed Valuation and Parcels by Land Use**

	<u>2018-19 Assessed Valuation⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>	<u>No. of Taxable Parcels</u>	<u>% of Total</u>
Non-Residential:						
Commercial/Office	\$ 9,930,551,540	18.14%	5,848	5.24%	5,806	5.33%
Vacant Commercial	186,818,985	0.34	418	0.37	405	0.37
Industrial	4,396,947,326	8.03	2,245	2.01	2,195	2.01
Vacant Industrial	103,040,507	0.19	428	0.38	428	0.39
Recreational	80,125,369	0.15	260	0.23	260	0.24
Government/Social/Institutional	<u>269,041,002</u>	<u>0.49</u>	<u>3,587</u>	<u>3.22</u>	<u>1,588</u>	<u>1.46</u>
Subtotal Non-Residential	\$14,966,524,729	27.33%	12,786	11.47%	10,682	9.81%
Residential:						
Single Family Residence	\$28,361,956,566	51.79%	67,305	60.36%	67,220	61.70%
Condominium/Townhouse	4,423,325,118	8.08	10,710	9.60	10,704	9.83
Mobile Home	28,563,147	0.05	175	0.16	175	0.16
2-4 Residential Units	2,328,852,100	4.25	13,798	12.37	13,795	12.66
5+ Residential Units/Apartments	4,406,703,665	8.05	2,949	2.64	2,925	2.68
Residential-Miscellaneous Uses	72,540,651	0.13	87	0.08	87	0.08
Vacant Residential	<u>169,856,422</u>	<u>0.31</u>	<u>3,696</u>	<u>3.31</u>	<u>3,356</u>	<u>3.08</u>
Subtotal Residential	\$39,791,797,669	72.67%	98,720	88.53%	98,262	90.19%
Total	\$54,758,322,398	100.00%	111,506	100.00%	108,944	100.00%

⁽¹⁾ Local secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table shows the assessed valuation of single-family homes in the District for fiscal year 2018-19, including the median and mean assessed valuation per parcel.

**Oakland Unified School District
(County of Alameda, California)
Per Parcel 2018-19 Assessed Valuation of Single-Family Homes**

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	67,220	\$28,361,956,566	\$421,927	\$310,934

2018-19 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	3,987	5.931%	5.931%	\$ 151,565,997	0.534%	0.534%
\$50,000 - \$99,999	7,074	10.524	16.455	527,795,340	1.861	2.395
\$100,000 - \$149,999	6,960	10.354	26.809	870,175,046	3.068	5.463
\$150,000 - \$199,999	5,745	8.547	35.356	1,000,093,856	3.526	8.990
\$200,000 - \$249,999	4,900	7.289	42.645	1,099,692,659	3.877	12.867
\$250,000 - \$299,999	4,115	6.122	48.767	1,130,159,269	3.985	16.852
\$300,000 - \$349,999	3,899	5.800	54.567	1,265,706,677	4.463	21.314
\$350,000 - \$399,999	3,688	5.486	60.054	1,381,161,238	4.870	26.184
\$400,000 - \$449,999	3,326	4.948	65.001	1,410,395,976	4.973	31.157
\$450,000 - \$499,999	2,814	4.186	69.188	1,333,300,379	4.701	35.858
\$500,000 - \$549,999	2,302	3.425	72.612	1,206,242,383	4.253	40.111
\$550,000 - \$599,999	2,049	3.048	75.661	1,177,049,610	4.150	44.261
\$600,000 - \$649,999	1,891	2.813	78.474	1,181,731,925	4.167	48.428
\$650,000 - \$699,999	1,696	2.523	80.997	1,144,008,879	4.034	52.461
\$700,000 - \$749,999	1,629	2.423	83.420	1,178,336,041	4.155	56.616
\$750,000 - \$799,999	1,571	2.337	85.757	1,216,262,807	4.288	60.904
\$800,000 - \$849,999	1,329	1.977	87.734	1,095,552,153	3.863	64.767
\$850,000 - \$899,999	1,210	1.800	89.534	1,057,142,386	3.727	68.494
\$900,000 - \$949,999	1,025	1.525	91.059	947,026,235	3.339	71.834
\$950,000 - \$999,999	884	1.315	92.374	860,444,954	3.034	74.867
\$1,000,000 and greater	5,126	7.626	100.000	7,128,112,756	25.133	100.000
Total	67,220	100.000%		\$28,361,956,566	100.000%	

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

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Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2018-19 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

**Oakland Unified School District
(County of Alameda, California)
Largest 2018-19 Local Secured Taxpayers**

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total ⁽¹⁾
1.	CIM Oakland	Office Building	\$ 503,998,378	0.92%
2.	Kaiser Foundation Health Plan Inc.	Office Building	239,549,829	0.44
3.	SIC Lakeside Drive LLC	Office Building	231,286,081	0.42
4.	CSHV 1999 Harrison LLC	Office Building	229,245,000	0.42
5.	USPA City Center LLC	Office Building	216,403,200	0.40
6.	Broadway Franklin LLC	Office Building	212,060,602	0.39
7.	1955 Broadway Oakland Owner LLC	Office Building	180,000,000	0.33
8.	1221 Broadway Investors LLC	Office Building	172,083,094	0.31
9.	KBS SOR II Oakland City Center LLC	Office Building	154,999,900	0.28
10.	1800 Harrison Foundation	Office Building	137,996,028	0.25
11.	GC Oakland Hotel LLC	Hotel	137,443,980	0.25
12.	180 Grand Owner LLC	Office Building	121,635,000	0.22
13.	Domain Residence LLC	Apartments	111,199,825	0.20
14.	Claremont Hotel Properties LP	Hotel	110,412,073	0.20
15.	BEX FMCA LLC	Apartments	108,464,860	0.20
16.	Oak Knoll Venture Acquisition LLC	Residential Development	83,625,138	0.15
17.	BA1 1330 Broadway LLC	Office Building	81,038,568	0.15
18.	WM Allegro LLC	Apartments	77,547,279	0.14
19.	Sparknight	Office Building	74,810,440	0.14
20.	Eastmont Office Owner LLC	Office Building	72,739,544	0.13
			\$3,256,538,819	5.95%

⁽¹⁾ 2018-19 local secured assessed valuation: \$54,758,322,398.

Source: California Municipal Statistics, Inc.

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

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Series 2019 Bonds in a given year depends on the assessed value of taxable property in that year. The rate of tax imposed on unsecured property for repayment of the Series 2019 Bonds is based on the prior year’s secured property tax rate. Economic and other factors beyond the District’s control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2019 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 17-001). TRA 17-001 comprises approximately 47.1% of the total fiscal year 2018-19 assessed value of the District.

**Oakland Unified School District
(County of Alameda, California)
Typical Tax Rates per \$100 of Assessed Valuation
(TRA 17-001)**

	2014-15	2015-16	2016-17	2017-18	2018-19
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Alameda County Bonds	.0000	.0000	.0000	.0000	.0112
Oakland Unified School District Bonds	0.1745	0.1539	0.1384	.1015	.1176
Peralta Community College District Bonds	0.0412	0.0337	0.0256	.0310	.0269
Bay Area Rapid Transit District Bonds	0.0045	0.0026	0.0080	.0084	.0070
East Bay Municipal Utility District Bonds	0.0047	0.0034	0.0028	.0011	.0000
East Bay Regional Park District Bonds	0.0085	0.0067	0.0032	.0021	.0057
City of Oakland	0.2042	0.1651	0.1961	.2045	.1982
Total	\$1.4376	\$1.3654	\$1.3508	\$1.3486	\$1.3666

Source: California Municipal Statistics, Inc.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2019 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer and tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$23 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer.

Property taxes on the unsecured roll are due in one payment based on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on assessments on the unsecured roll, and additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer records a tax lien and may seize and/or sell personal property, improvements and possessory interests of the taxpayer. The county treasurer 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.

**Oakland Unified School District
(County of Alameda, California)
Tax Collections and Delinquencies for Fiscal Years 2008-09 through 2017-18**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent (June 30)	Percent Delinquent
2008-09	\$52,208,875.88	\$3,537,133.99	6.77%
2009-10	66,552,286.84	3,529,755.43	5.30
2010-11	64,969,613.31	2,779,923.73	4.28
2011-12	66,438,365.38	2,206,564.05	3.32
2012-13	70,191,721.44	1,785,077.90	2.54
2013-14	86,661,775.17	1,756,630.10	2.03
2014-15	89,995,251.27	1,701,850.25	1.89
2015-16	87,406,965.12	1,750,932.72	2.00
2016-17	53,718,566.34	971,871.47	1.81
2017-18	51,545,635.05	767,339.55	1.49

⁽¹⁾ District's general obligation bond and parcel tax levies.
Source: California Municipal Statistics, Inc.

Teeter Plan – Not Applicable. While the Board of Supervisors of the County has approved implementation of the Teeter Plan, the County does not apply the Teeter Plan to school district general obligation bond tax levies. Consequently, for taxes levied in the County to pay debt service on the Series 2019 Bonds, the District will receive actual collections (including penalties and interest) for that purpose, rather than the amount levied. However, the Teeter Plan does apply to the District's share of the 1% Countywide property tax levy.

For counties that have approved its implementation, the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") authorized by Sections 4701-4717 of the State Revenue & Taxation Code guarantees distribution of all *ad valorem* taxes levied to the taxing entities within a county, with the county retaining all penalties and interest affixed upon delinquent properties and redemptions of subsequent collections. The purpose of utilizing the Teeter Plan is to simplify the tax-levying and tax-apportioning process and to provide increased flexibility to counties in the use of available cash resources.

The county cash position is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus 1% of that year's tax levy. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the county's general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any 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 procedures 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 rolls in that agency.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective March 18, 2019 for debt issued as of April 1, 2019. 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. Column two 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

column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. 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.

**Oakland Unified School District
(County of Alameda, California)
Direct and Overlapping Bonded Debt**

[Subject to update]

<u>2018-19 Assessed Valuation:</u> \$57,556,383,413	Percent <u>Applicable</u>	
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>Debt 4/1/19</u>
Alameda County	19.861%	\$ 47,666,400
Bay Area Rapid Transit District	7.659	62,011,859
East Bay Regional Park District	12.128	21,776,430
Chabot-Las Positas Community College District	0.001	6,614
Peralta Community College District	55.621	203,564,517
Oakland Unified School District	100.000	873,735,000⁽¹⁾
City of Oakland	97.758	294,891,895
City of Oakland 1915 Act Bonds	100.000	3,350,000
City of Emeryville 1915 Act Bonds	3.914	75,345
City of Piedmont 1915 Act Bonds	4.792	<u>179,250</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,507,257,310
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County General Fund Obligations	19.861%	\$173,690,900
Alameda-Contra Costa Transit District Certificates of Participation	23.513	2,695,765
Peralta Community College District Pension Obligation Bonds	55.621	82,084,308
Oakland Unified School District Lease Revenue Bonds	100.000	23,930,000⁽²⁾
City of Emeryville General Fund Obligations	0.011	345
City of Oakland General Fund Obligations	97.758	119,067,928
City of Oakland Pension Obligation Bonds	97.758	<u>241,336,989</u>
Alameda County General Fund Obligations	19.861%	\$173,690,900
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$642,806,235
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		\$315,905,866
COMBINED TOTAL DEBT		\$2,465,969,411 ⁽³⁾
<u>Ratios to 2018-19 Assessed Valuation:</u>		
Direct Debt (\$873,735,000)		1.52%
Total Direct and Overlapping Tax and Assessment Debt.....		2.62%
Combined Direct Debt (\$897,665,000)		1.56%
Combined Total Debt.....		4.28%
<u>Ratios to Redevelopment Incremental Valuation (\$16,213,773,898):</u>		
Total Overlapping Tax Increment Debt.....		1.95%

⁽¹⁾ Excludes the Series 2019 Bonds.

⁽²⁾ State School Fund Apportionment, Refunding Series 2008 issued by California Infrastructure and Economic Development Bank.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

BOND INSURANCE

[To come]

RISKS RELATING TO BOND INSURANCE

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Series 2019 Bonds. The District has yet to determine whether an insurance policy will be purchased with the Series 2019 Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Series 2019 Bonds when all or some becomes due, any owner of the Series 2019 Bonds shall have a claim under the applicable Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Series 2019 Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Series 2019 Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Insurer becomes obligated to make payments with respect to the Series 2019 Bonds, no assurance is given that such event will not adversely affect the market price of the Series 2019 Bonds or the marketability (liquidity) for the Series 2019 Bonds.

The long-term ratings on the Series 2019 Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Series 2019 Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Series 2019 Bonds or the marketability (liquidity) for the Series 2019 Bonds. See "MISCELLANEOUS – Ratings."

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District or Underwriters have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Series 2019 Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

RISK FACTORS

The factors discussed below (among others) should be considered in evaluating the probability of repayment of the Series 2019 Bonds. The considerations discussed below are not meant to be an exhaustive list of considerations associated with the purchase of the Series 2019 Bonds, and the discussion below does not necessarily reflect the relative

importance of the various considerations. Potential investors should consider the following factors, among others, and review the other information in this Official Statement. Any one or more of the considerations discussed, and others, could lead to a decrease in the market value and or the liquidity of the Series 2019 Bonds. There can be no assurance that other factors and considerations will not become material in the future.

Risks to the Property Tax Base

Certain events could cause a decline in assessed value of property in the District, requiring the County to increase tax rates in order to meet the debt service obligations on the Series 2019 Bonds.

The property tax base has in the past and may in the future shrink due either to base year assessment appeals or due to blanket reductions of assessed values. For more detail concerning base year assessment appeals or blanket reductions of assessed values, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Assessed Valuation of Property Within the District.” For a recent history of assessed value in the District, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Assessed Valuation of Property Within the District.”

Increased unemployment and other general economic conditions in the District may also correlate with a decline in assessed value and an increase in delinquent tax payments. Also, in the case of an earthquake that materially disrupts the economy of the Bay Area, large scale defaults on property taxes could cause delays or defaults on the Series 2019 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Tax Changes and Delinquencies – *Teeter Plan – Not Applicable.*” For more information regarding unemployment and general economic conditions in the District and surrounding areas, see APPENDIX A – “THE ECONOMY OF THE DISTRICT.”

The property tax base in the District is located on a seismically active fault in California and could sustain a significant decline in value were a large-magnitude earthquake to occur. Property values in the District could also be adversely affected by a number of other natural or manmade disasters. For a more detailed discussion of earthquake risk, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Assessed Valuation of Property Within the District.”

Although the District may have legal authority to supplement the payments on its bonds by transferring operating revenues to the Interest and Sinking Fund were amounts on deposit therein ever insufficient to pay the principal of and interest due on its bonds, the District is not legally obligated to use its operating revenues to support its bonds.

The reorganization of regulated utilities and the transfer of electricity generating property between state-assessed utilities and non-utility companies may also have an effect on the size of the District’s tax base. A more in-depth discussion of how state-assessed property affects the size of the tax base is available at “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Assessed Value of Property Within the District.”

District Financial Risks

Neither the principal of, nor interest on, the Series 2019 Bonds is payable from the District’s General Fund or from State revenues. The Series 2019 Bonds are paid by the County from *ad valorem* property taxes levied by the County – moneys over which the District exerts no control. Nevertheless, the District has presented information concerning its finances and operations and has detailed the State funding of education in Appendix B as supplementary information. Because some of the events and circumstances discussed in Appendix B are anomalous, they are noted below.

Reserve for Economic Uncertainty. The District is required to maintain a reserve for economic uncertainty equal to 2.0% of annual General Fund expenditures (the “**Minimum Reserve**”). For the year ended June 30, 2018, the District reserve was 2% of the total expenditures, a marked improvement over the 0.56% of total expenditures available for the year ended June 30, 2017. In order to address its past difficulties in meeting the Minimum Reserve Requirement, the District instituted a major review of budget assumptions with regard to enrollment trends and projections. In

addition to enrollment analysis, there has been a more comprehensive analysis of employment and vacancies as part of a continual position control review. Position control has become a critical point of focus because salaries and benefits encompass the vast majority of the District's budgeted expenditures in each fiscal year. As a result of these analyses, the Board of Education adopted a budget resolution (the "**District Budget Resolution**") which requires the District to maintain a minimum reserve of 2.5% in fiscal year 2018-19 and 3.0% in fiscal years 2019-20 and 2020-21. While the District is maintain a minimum reserve in accordance with the District Budget Resolution, the impact of increased costs of compensation, pension, health, and welfare benefits outpaced the increase in revenue. In addition, the District has a marginal decrease in enrollment due in part to competition with charter schools. A correction in the Average Daily Attendance reported in fiscal year 2017-18 resulted in a \$5.4 million reduction in such fiscal year. The District designated \$5.4 million in the 2018-19 first interim fund balance for the resulting reduction of LCFF revenue which would be applied in March 2019. [The adopted budget for fiscal year 2019-20 implements approximately \$21 million in budgetary cuts in order to achieve the targeted minimum reserve in fiscal year 2019-20, and the District projects it will meet the minimum reserve requirement set forth in the District Budget Resolution for such fiscal year.]

On August 8, 2018, the District adopted a resolution implementing a \$30 million budget reduction for fiscal year 2019-20 to improve its financial position and commitment to fiscal solvency. Based on an improved budget outlook and increased LCFF revenue from the State Governor's 2019-20 Proposed Budget, the budget reduction target was adjusted to \$21.75 million. The administration determined that this level of reduction would allow for reasonable salary compensation increases and allow the District to maintain a minimum 3% reserve, based on the District Budget Resolution.

Budgetary reductions come primarily from a reduction in site discretionary spending and a reduction of 143 FTEs (primarily from the central office), which comprise 85% of the proposed reductions. The remaining 15% of reductions are based on a reduction in contracted services, reallocation of restricted dollars, and operational savings. While the District was contemplating applying new budgetary assumptions, the District submitted its first and second interim budget reports, which included assumptions regarding certain investments in salary compensation and reductions of expenditures of \$15 million beginning in fiscal year 2019-20, and an additional \$28 million beginning in fiscal year 2020-21. Based on such assumptions, the District recommended a positive certification on its first and second interim budget reports, however, ACOE revised such certifications from positive to qualified based on some of the underlying assumptions and inconsistency in prior-year forecasts.

The District's financial and budgetary practices have subject to increased oversight by the Financial Crisis Management Assistance Team ("**FCMAT**"), as well as the ACOE, in part due to the passage of Assembly Bill 1840 (which became effective on September 17, 2018) ("**AB 1840**"). See "**FCMAT Oversight and Reports.**"

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

Budgetary Risks. The District self-certified its first and second interim budget reports for fiscal year 2018-19 as positive, indicating that the District would be able to meet its financial obligations for the current fiscal year and two subsequent fiscal years. For each interim report, ACOE reviewed and revised the certification to qualified, indicating that ACOE was uncertain whether the District would meet its financial obligations for the current fiscal year and two subsequent fiscal years. ACOE's revised certifications were based on concern for reduced average daily attendance ("**A.D.A.**") from the prior year, liabilities related to vacation balances for separated employees, and the effect of each of these on the District's multi-year projections related to its Reserve for Economic Uncertainties. The District self-certified its third interim budget report for fiscal year 2018-19 as qualified. See APPENDIX B – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – District Budget Process and County Review."

Labor Agreements. The OEA and the District reached a tentative collective bargaining agreement on March 1, 2019 (the "**2019 Agreement**") which was approved by the Board of Education on April 24, 2019. The 2019 Agreement provides for a one-time salary payment (bonus) equal to 3.0% of annual base salary as of December 31,

2018, and ongoing salary increases including a 3.0% wage increase effective January 1, 2019, a 2.0% wage increase effective January 1, 2020, a 3.5% wage increase effective January 1, 2021, and a 2.5% wage increase effective June 30, 2021. As a result of the 2019 Agreement, the District projects a total ongoing increase in employee compensation costs of \$3.8 million in fiscal year 2018-19, \$16.1 million in fiscal year 2019-20, and \$17.0 million in fiscal year 2020-21. If and to the extent that additional agreements are reached between the District and the other labor organizations representing District employees, such agreements may have a significant impact on District expenditures in future fiscal years. See APPENDIX B – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Employees and Labor Relations.”

[District to provide additional disclosure on terms of bargaining agreement with classified employees.]

Healthcare Costs – HBGB. In 2015, as part of contract negotiations and in an attempt to contain healthcare costs, the District established the Health Benefits Governing Board (“**HBGB**”) pursuant to the Health and Welfare Agreement (the “**HBGB Agreement**”) by and among [Parties]. Pursuant to the HBGB Agreement, the District was required to make deposits into a Health and Welfare Fund that would be spent by HBGB to pay retirement health benefits for _____ in future years, beginning in _____. The formula by which the District determines the amounts it is required to deposit in the Health and Welfare Fund is complicated and there has been disagreement among the District, ACOE and FCMAT about the exact deposit amounts. Additionally, due to budgetary pressures, the District has not funded the Health and Welfare Fund [completely for benefits coming due in future years]. The District, ACOE, FCMAT and its auditors have also disagreed about whether the amounts the District was required to make pursuant to the HBGB Agreement but has not yet made must be recorded as a current year liability in its financial statements. [The District did not record the liability in its fiscal year 2015-16, 2016-17, or 2017-18 financial statements, and does not anticipate that it will record the liability in its financial statements for fiscal year 2018-19.] If the District does recognize the amounts owed as a current liability, \$9 million would be owed and the District’s assets would decrease commensurately. The District has proposed a plan by which it would make deposits in the Health and Welfare Fund of \$2.25 million over four years to eliminate the \$9 million liability, and is also in the process of reworking the formula by which deposit amounts are determined. The current HBGB Agreement expires in _____ and the District estimates it will need to deposit \$____ per year until the expiration date or until a new formula is agreed upon. The District cannot predict what effect a new formula will have on its finances, or whether the HBGB Agreement will be extended upon its expiration.

Audit Reports; Qualified Opinion

The District’s auditor has expressed a qualified opinion on the District’s financial statements for fiscal years 2012-13 through 2017-18 because the financial statements did not include the ASB funds (as described below), and statements for such fund are required by generally accepted accounting principles in the United States of America. Except for the omission of the ASB funds, the District’s auditor opined that the District’s financial statements for fiscal years 2012-13 through 2017-18 fairly present, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of the respective date of each report, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Associated student body funds (“**ASB funds**”) are the funds collected and held at school sites specifically for student activities. The District has not prepared a summary of the ASB funds in an auditable format. Therefore, the required schedule of these fiduciary funds is not presented in the financial statements, and the auditors were not able to provide an unqualified opinion on the District’s financial statements.

The District began collecting information on the ASB funds, including site visits, during fiscal year 2015-16. The District plans to collect, review and monitor all ASB account information. In addition, the District plans to provide training for school site staff managing the ASB accounts and to implement accounting procedures to monitor ASB funds at the District level. Mock audits are also planned to prepare school sites for actual audits. The District expects to have a summary of ASB funds in an auditable format in future fiscal years.

For a discussion of the District’s potential financial liabilities related to the state and federal compliance audits performed by the State Controller, See “APPENDIX B – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Audit Findings.”

The financial information presented in APPENDIX C represents the audited financial statements of the District for fiscal year ended June 30, 2018. The financial information presented in APPENDIX B is generally derived from unaudited information except where audited information is available. For further discussion, see APPENDIX B – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET.”

The Alameda County Office of Education (“**ACOE**”) reviews the District’s budget, interim and unaudited financial reports throughout the year. The ACOE also reviews and processes expenditures and receipts and performs internal reconciliation of the District’s cash and budget. See APPENDIX B – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Audit Findings.” See also “– District Financial Considerations” below.

Audit Liabilities. The District’s finances are audited annually. The external auditors identified 14 findings for fiscal year 2017-18. Only one finding carried a potential financial liability due to noncompliance with minimum instructional time offered at one school site out of 77 District sites, for approximately \$600,000, which can be waived through application to the California Department of Education. The external auditors identified 12 findings in fiscal year 2016-17: (i) four findings were related to internal matters and internal financial controls, two of which have been resolved; (ii) four findings related to federal program compliance; and (iii) four findings related to State program compliance. None of the findings resulted in financial liabilities, although there were \$6.7 million in audit adjustments in the fiscal year 2017-18 audit. See APPENDIX B – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Audit Findings.”

FCMAT Oversight and Reports

In April 2017, the District and FCMAT entered into an agreement to conduct a fiscal health risk analysis and determine the risk rating of the District. On August 15, 2017, FCMAT delivered its fiscal health risk analysis (the “**Fiscal Health Risk Analysis**”) which recommended that the District take immediate action to avoid further erosion of the District’s reserves and a possible fiscal emergency. In the Fiscal Health Risk Analysis, FCMAT identified several signs of fiscal distress for the District, including deficit spending, substantial reductions in fund balance, inadequate reserve levels, approval of a bargaining agreement beyond cost-of-living adjustments, large increases in contributions to restricted programs (especially in special education), lack of oversight allowing for positions to be created before verification of funding and approval, breakdown in leadership with excessive turnover, and the inability to hold administrators accountable who had been allowed to overspend budgets and override policy. FCMAT reviewed twenty fiscal indicators in its analysis, noting that districts that respond “No” to seven or more fiscal indicators may have cause for concern and could require some level of fiscal intervention. Based on FCMAT’s analysis, the District responded “No” to eight of the twenty fiscal indicators.

On January 22, 2018, the ACOE and FCMAT entered into an agreement to provide the District with on-site technical assistance in two phases. During Phase I, FCMAT’s assistance included reviewing the District’s fiscal year 2017-18 General Fund budget and developing consensus among the District, ACOE, and WestEd (a consultant of the District) regarding budget assumptions. Using those validated budget assumptions, FCMAT reviewed the fiscal year 2017-18 General Fund cash forecast to determine whether the District had sufficient cash resources through June 2018 to meet its obligations. On May 31, 2018, FCMAT delivered its management letter regarding Phase I (the “**Phase I Letter**”), concluding that the District would end the then-current fiscal year with a positive cash position in the General Fund of approximately \$17.4 million. FCMAT noted, however, that the ending cash balance was approximately \$6.2 million less than the then-current fiscal year’s beginning cash balance, and \$22.5 million less than the beginning cash balance in fiscal year 2016-17. FCMAT reported that the District’s cash was on a declining trajectory (a 56.5% decrease in the prior two years at the time of the analysis) and indicated that the pattern was not sustainable. Moreover, FCMAT estimated that revenues in fiscal year 2017-18 would decline by approximately \$2.9 million and expenditures would decline by only approximately \$520,000 from fiscal year 2016-17 levels. The analysis concluded that the District was in financial distress, and that without significant corrective action the District’s fund balance and longer-term cash balance would continue to decline.

The Phase I Letter points to several factors that caused concern or hindered FCMAT’s ability to conduct an open and honest assessment of the District’s financial condition. Specifically, in providing reasoning for excluding proposed expenditure reductions of \$9 million from its calculations, FCMAT cited a history of deficit spending and indicated that the District’s recent actions called into question the political will of the District and its Board of Education

to implement such expenditure reductions. Additionally, FCMAT noted that the District has previously sustained the minimally required state reserve levels through improper interfund borrowing, which positively impacted General Fund cash flow and fund balance. FCMAT observed that such interfund borrowing should be audited, quantified and repaid, and the District should establish a multiyear plan to reverse such borrowing and restore cash balances to other funds.

During Phase II, FCMAT helped to create a General Fund multi-year financial projection for fiscal years 2017-18, 2018-19, and 2019-20. On July 2, 2018, FCMAT delivered its management letter regarding Phase II (the “**Phase II Letter**”) in which it found that the District had fallen into a pattern of deficit spending, a pattern described by FCMAT as a structural deficit. FCMAT indicated that the District’s spending pattern eliminated its unrestricted fund balance, leaving the District in a troubling condition for its financial future. FCMAT observed that the unrestricted fund had a negative balance of approximately \$15.6 million in fiscal year 2017-18 which would escalate to approximately \$76.3 million in fiscal year 2019-20, and that the problems with the unrestricted fund were being masked by activities in the restricted fund. The Phase II Letter concludes with eighteen recommendations for the District, including developing short- and long-term financial plans based on reasonable economic assumptions, and implementing those plans with a commitment to attaining financial solvency, monitoring and projecting student enrollment and A.D.A. at each reporting period, updating revenue budgets throughout the fiscal year, being conservative when budgeting amounts for local revenue and updating the budget throughout the fiscal year to account for year-to-date receipts, and making a plan to use restricted dollars in the fiscal year in which they are received. But see “Budgeted General Fund Summary for Fiscal Year 2018-19” table in APPENDIX B – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Accounting Practices.”

On March 1, 2019, FCMAT delivered a letter to the Director of the State Department of Finance, the Chair of the State Assembly Committee on Budget and its Committee Members, and the Chair of the State Senate Committee on Budget and Fiscal Review and its Committee Members regarding the District, in accordance with FCMAT’s responsibilities under AB 1840 (the “**AB 1840 Letter**”).

The AB 1840 Letter contains FCMAT’s conclusions that the District would have projected operating deficits of approximately \$9 million in fiscal year 2018-19 and approximately \$6.4 million in fiscal year 2019-20. FCMAT also noted that, when taking into account the cost of additional intervention by ACOE, the projected operating deficits of the District would be approximately \$10.4 million in fiscal year 2018-19 and approximately \$7.6 million in fiscal year 2019-20. FCMAT’s conclusion, however, is subject to the caveat that there were several factors that would influence its budget projections that were unknown at the time of the analysis. Specifically, FCMAT did not include in its calculations any cost increases that would result from any bargaining unit settlement; FCMAT delivered the AB 1840 Letter the day after the District reached a tentative agreement with members of the Oakland Education Association (the “**OEA**”) and stated that it and ACOE would need additional time to analyze the impact of the settlement on the deficit calculation. Additionally, settlements between the District and the other labor organizations representing District employees may have an impact on District finances.

On April 24, 2019, FCMAT delivered an updated letter to the Director of the State Department of Finance, the Chair of the State Assembly Committee on Budget and its Committee Members, and the Chair of the State Senate Committee on Budget and Fiscal Review and its Committee Members regarding the District, in accordance with FCMAT’s responsibilities under AB 1840 (the “**Updated AB 1840 Letter**” and, together with the AB 1840 Letter, the “**AB 1840 Letters**”).

The Updated AB 1840 Letter contains FCMAT’s conclusions that, under the scenario including the cost of potential labor settlements for all employee units, the District would have projected operating surpluses of approximately \$4.6 million in fiscal year 2018-19 and approximately \$0.5 million in fiscal year 2019-20. FCMAT also noted that, when taking into account the cost of additional intervention by ACOE, the projected operating surplus of the District would be approximately \$3.1 million in fiscal year 2018-19 and a projected operating deficit of approximately \$0.5 million in fiscal year 2019-20. However, FCMAT’s conclusions do not take into account several factors that would influence its budget projections because such factors were unknown at the time of the analysis. Specifically, FCMAT’s calculations did not account for (i) the District Budget Resolution, which requires budget reductions totaling \$21.75 million, or (ii) budgetary savings resulting from significant reductions in FTE positions. The elimination of over 250 FTE positions has necessitated a redesign of the organizational structure of the District. The redesign is currently ongoing. FCMAT also noted that an estimated \$1 million or more in accrued vacation balances

will be paid due to positions being eliminated in fiscal year 2018-19; the District has not yet fully calculated this liability, which will partially offset planned savings. Finally, FCMAT remarked that the final outcome of other bargaining unit negotiations is unknown and may have a significant impact. See “ – Labor Agreements” below and APPENDIX B – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Employees and Labor Relations.”

In the course of its oversight, FCMAT reviewed the District’s use of bond proceeds from prior bond issuances to pay rent for the District’s administrative office. FCMAT has questioned whether there is a capital project to which these costs can be capitalized. The District’s bond oversight committee raised a similar question in its most recent report.

For further information on FCMAT’s review of and conclusions regarding the District’s financial condition, investors are directed to read the full version of the Financial Health Risk Analysis, the Phase I Letter, the Phase II Letter, and the AB 1840 Letters, each of which is publicly available on FCMAT’s website at the following address: <http://www.fcmat.org/takenote/>. The information referred to is prepared by FCMAT and not by the District, and the District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

The District has implemented its 2018-2020 Fiscal Vitality Plan (the “**Fiscal Vitality Plan**”) to provide recommendations responsive to the Fiscal Health Risk Analysis. A draft of the Fiscal Vitality Plan was released to the public for comment and input and requires ongoing engagement with the District’s Board of Education, staff and community. The Fiscal Vitality Plan sets forth 23 recommendations for actions to rectify the District’s poor fiscal health. These recommendations consist of: (i) stabilizing measures, such as midyear adjustments for the fiscal year 2017-18 budget and changes to monitoring and forecasting; (ii) recovery measures, such as fiscal year 2018-19 budget development that eliminates deficit spending and reorganizes the District’s central office, establishment of internal controls relating to the budget and position control, implementation of a new system to manage finance and human resource information, and revenue maximization; and (iii) vitality measures, such as defining roles and responsibilities for District oversight, and finalizing and implementing the Quality Schools Action Plan and Facilities Master Plan.

Enforceability of Covenant Not to Declare Bankruptcy

The District has outstanding a series of State School Apportionment Lease Revenue Bonds, and State law provides that for so long as any of such State School Fund Apportionment Lease Revenue Bonds issued by the California Infrastructure and Economic Development Bank (the “**Infrastructure Bank**”) on behalf of the District are outstanding, the District cannot file for bankruptcy. See APPENDIX B – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – District Debt Structure – *Refunding of a Portion of the State Emergency Apportionment Loan.*” The final maturity of the Infrastructure Bank bonds is in 2023. The District can make no prediction as to whether the Infrastructure Bank bonds will remain outstanding to their scheduled maturity. Thus, it is not clear how long such a prohibition would last. In addition, federal law determines whether or not the District can file for bankruptcy relief, and while the District believes that a federal bankruptcy court will enforce the State law prohibition on filing for bankruptcy, the District can give no assurance that the prohibition will be enforced. It is also possible that federal law could be amended in a manner so that the State law prohibition is no longer enforceable. Furthermore, if the State were to repeal the relevant law, then the District may be able to file for bankruptcy. While the State has pledged for the benefit of the holders of the Infrastructure Bank bonds that it will not amend or repeal this prohibition on a District bankruptcy in any manner that would materially impair the security or other interests of holders of any of the Infrastructure Bank bonds, the District can make no representation or prediction as to the enforceability of this pledge, or whether if the pledge were breached, holders of the Infrastructure Bank bonds would seek to enforce it. The pledge is not made for the benefit of holders of the Series 2019 Bonds and the holders of the Series 2019 Bonds do not have the right to enforce the pledge.

Possible Limitations on Remedies

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

State law contains a number of safeguards to protect the financial solvency of school districts. If the safeguards are not successful in preventing the District from becoming insolvent, the State Superintendent, operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the “**Bankruptcy Code**”) on behalf of the District for the adjustment of its debts, assuming that the District meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. Under current State law, the District is not itself authorized to file a bankruptcy proceeding, and it is not subject to an involuntary bankruptcy proceeding.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District or the County (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court’s permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Series 2019 Bonds and other transaction documents related to the Series 2019 Bonds, including the obligation of the County and the District to raise taxes if necessary to pay the Series 2019 Bonds, if the bankruptcy court determines that the plan is fair and equitable and otherwise complies with the Bankruptcy Code. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Series 2019 Bonds. Regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Series 2019 Bonds.

Limitations on Plans of Adjustments. Chapter 9 of the Bankruptcy Code provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in the state in the exercise of its political or governmental powers, including expenditures for such exercise. In addition, Chapter 9 provides that a bankruptcy court may not interfere with the political or governmental powers of the debtor, unless the debtor consents to that action or the plan so provides. State law provides that *ad valorem* taxes may be levied to pay the principal of and interest on the Series 2019 Bonds and other voted general obligation bonds of the District in an unlimited amount, and that proceeds of such a levy must be used for the payment of principal of and interest on the District’s general obligation bonds, including the Series 2019 Bonds, and for no other purpose. Under State law, the District’s share of the 1% limited tax imposed by the County is the only *ad valorem* tax revenue that may be raised and expended to pay liabilities and expenses of the District other than its voter-approved debt, such as its general obligation bonds. If the State law restriction on the levy and expenditure of *ad valorem* taxes is respected in a bankruptcy case, then *ad valorem* tax revenue in excess of the District’s share of the 1% limited County tax could not be used by the District for any purpose under its plan other than to make payments on the Series 2019 Bonds and its other voted general obligation bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to state law, all general obligation bonds issued by local agencies, including the Series 2019 Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes. State law provides that the lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the bonds are executed and delivered. As a result, the lien on debt service taxes will continue to be valid with respect to post-petition receipts of debt service taxes, should the District become the subject of bankruptcy proceedings. However, the automatic stay provisions of the Bankruptcy Code would apply, preventing bondholders from enforcing their rights to payment from such taxes, so payments that become due and owing on the Series 2019 Bonds during the pendency of the Chapter 9 proceeding could be delayed.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Series 2019 Bonds are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* tax revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. “Special revenues” are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* taxes for payment of the Series 2019 Bonds. The Series 2019 Bonds and the District’s other general obligation bonds were approved at elections held on propositions that described the projects for which such bonds may be issued. As noted above, State law prohibits the use of the proceeds of the District’s debt service tax for

any purpose other than payment of its general obligation bonds, and the bond proceeds may only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payment of general obligation bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

The Bankruptcy Code provides that there is no stay of application of pledged special revenues to payment of indebtedness secured by such revenues. The United States Court of Appeals for the First Circuit, in a case arising out of the insolvency proceedings of Puerto Rico, recently held that this provision permitted voluntary payments of debt service by the issuer of bonds backed by special revenues, but did not permit the bondholders to compel the issuer to make payments of debt service from special revenues. If this decision is followed by other courts, the holders of the Series 2019 Bonds may be prohibited from taking any action to require the District or the County to make payments on the Series 2019 Bonds without the bankruptcy court's permission. This could result in substantial delays in payments on the Series 2019 Bonds.

In addition, even if the *ad valorem* tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the Series 2019 Bonds.

Bondholders may experience delays or reductions in payments on the Series 2019 Bonds, the Series 2019 Bonds may decline in value or Bondholders may experience other adverse effects should the District file for bankruptcy.

Possession of Tax Revenues; Remedies. If the District goes into bankruptcy and the District or the County has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the District or the County, as applicable, does not voluntarily pay such tax revenues to the Owners of the Series 2019 Bonds, it is not entirely clear what procedures the Owners of the Series 2019 Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. A similar risk would exist if the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy).

Risk of Investment Losses. Pending delivery of *ad valorem* tax revenues to the Paying Agent, the County Treasurer may invest the *ad valorem* tax revenues in the Alameda County Investment Pool or in other investments. Should any of these investments suffer any losses, there may be delays or reductions in payments on the Series 2019 Bonds.

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

TAX MATTERS

[Tax-Exempt Bonds

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 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel observes, however, that interest on the Tax-Exempt Bonds is a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

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

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

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

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

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

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

Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their 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 Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Taxable Bonds

In the opinion of 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 Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that interest on the Taxable Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Taxable Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix D hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Taxable Bonds that acquire their Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Taxable Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Taxable Bonds pursuant to this offering for the issue price that is applicable to such Taxable Bonds (i.e., the price at which a substantial amount of the Taxable Bonds are sold to the public) and who will hold their Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Bonds, the tax treatment of such partnership or a partner in such partnership

generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Taxable Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Taxable Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Taxable Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Taxable Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Taxable Bond.

Sale or Other Taxable Disposition of the Taxable Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Taxable Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Taxable Bonds. If the District defeases any Taxable Bond, the Taxable Bond may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Taxable Bond.

Information Reporting and Backup Withholding. Payments on the Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt

organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Taxable Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Taxable Bond) or other disposition of a Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Taxable Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Taxable Bond or a financial institution holding the Taxable Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA") – U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Taxable Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Taxable Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.]

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2019 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel. Bond Counsel expects to deliver an opinion with respect to the Series 2019 Bonds at the time of issuance of the Series 2019 Bonds substantially in the form set forth in Appendix D hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe, LLP, as Disclosure Counsel to the District.

Legality for Investment in the State of California

Under the provisions of the California Financial Code, the Series 2019 Bonds are legal investments for commercial banks in California to the extent that the Series 2019 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors and, under provisions of the California Government Code, the Series 2019 Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Series 2019 Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "**EMMA System**") certain annual financial information and operating data relating to the District (the "**Annual Report**") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2018-19 fiscal year (which is due no later than April 1, 2020) and notice of the occurrence of certain enumerated events ("**Notice Events**") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

[Update with five-year compliance lookback for the District's continuing disclosure undertakings.]

No Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2019 Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2019 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2019 Bonds or District or County officials who will sign certifications relating to the Series 2019 Bonds, or the powers of those offices. A certificate or certificates to that effect will be furnished to the Underwriters at the time of the original delivery of the Series 2019 Bonds.

The District is routinely subject to lawsuits and claims. See, e.g., "RISK FACTORS – District Financial Considerations – *Labor Agreements*." In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

MISCELLANEOUS

Ratings

[S&P is expected to assign its rating of “AA” to the Series 2019 Bonds with the understanding that, upon delivery of the Series 2019 Bonds, the Policy will be delivered by ____]. See “BOND INSURANCE.” Such rating is expected to be assigned solely as a result of the issuance of the Policy and will reflect only the rating agency’s view of the claims paying ability and financial strength of ____]. Neither the District nor the Underwriters have made any independent investigation of the claims paying ability of ____] and no representation is made that any insured rating of the Series 2019 Bonds based upon the purchase of the Policy will remain higher than the rating agency’s underlying rating of the Series 2019 Bonds described above, which did not take bond insurance into account. The existence of the Policy will not, of itself, negatively affect such underlying ratings. Without regard to any bond insurance, the Series 2019 Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2019 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS.” However, any downward revision or withdrawal of any rating of ____] may have an adverse effect on the market price or marketability of the Series 2019 Bonds.]

In addition, [Rating Agency 1] has assigned its underlying rating of “[____]” to the Series 2019 Bonds, without regard to any policy of municipal bond insurance. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2019 Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such 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 Series 2019 Bonds. Neither the Underwriters nor the District has undertaken any responsibility after the offering of the Series 2019 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2019 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2019 Bonds. Isom Advisors, a Division of Urban Futures, Inc. is acting as the District’s Municipal Advisor with respect to the Series 2019 Bonds. Payment of the fees and expenses of the Municipal Advisor is also contingent upon the sale and delivery of the Series 2019 Bonds.

Underwriting

The Series 2019 Bonds are being purchased for reoffering to the public by Siebert Cisneros Shank & Co. L.L.C., as representative (the “**Representative**”) on behalf of itself and Stifel, Nicolaus & Company, Incorporated (“**Stifel**” and, together with the Representative, the “**Underwriters**”), pursuant to the terms of a bond purchase agreement executed on _____, 2019, by and between the Representative and the District (the “**Purchase Contract**”). The Underwriters have agreed to purchase the Series 2019 Bonds at a price of \$_____. The Underwriters’ discount is \$_____. The Purchase Contract provides that the Underwriters will purchase all of the Series 2019 Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

While Stifel does not believe that the following represent a potential or actual material conflict of interest, it notes that:

In October 2018, Stifel donated to the Oakland Public Education Fund Youth Beat Program. Stifel’s Fabric of Society program provided a scholarship to graduating seniors from Oakland Unified School District in 2015, 2016, 2017, and 2018.

The Underwriters may offer and sell the Series 2019 Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

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ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2019 Bonds. Quotations from and summaries and explanations of the Series 2019 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2019 Bonds.

The District has duly authorized the delivery of this Official Statement.

OAKLAND UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

THE ECONOMY OF THE DISTRICT

The following economic data is presented for information purposes only. The Series 2019 Bonds are not a debt or obligation of the City of Oakland or the County of Alameda.

General

Information regarding the City of Oakland (the “**City**”) is provided in this APPENDIX A because economic data specific to the exact boundaries of the Oakland Unified School District (the “**District**”) is not available. Although the District encompasses slightly more land than the City, they are virtually coterminous and, therefore, the data provided herein is representative of the economy of the District. Data from the County of Alameda (the “**County**”) is provided where data for the City is not available.

As of January 1, 2019, the City has a population of approximately 432,897, and the County has a population of approximately 1,669,301. The City is located in the County and comprises approximately one-quarter of the County’s population. The City is located on the eastern shore of the San Francisco Bay (the “**Bay**”), approximately seven miles from San Francisco via the San Francisco-Oakland Bay Bridge. The City, approximately 53.8 square miles, is the largest and most established of the “East Bay” cities. Its geography ranges from industrialized areas in the west which border the Bay to suburban foothills in the east. The City is the hub of an extensive transportation network, which includes several interstate freeways, the western terminus of major railroad and trucking operations, and one of the largest container-ship ports in the United States. The City is also served by an international airport and the Bay Area Rapid Transit system (“**BART**”), which connects the City by commuter rail to destinations in the County as well as San Francisco, Contra Costa, San Mateo and Santa Clara counties. Formerly the industrial heart of the San Francisco Bay Area (the “**Bay Area**”), the City has developed into a diverse financial, commercial and governmental center. The City is the seat of government for the County and is the eighth most populous city in the State of California (the “**State**”).

The City has a diverse mix of traditional and new economy companies. Leading industries include business services, health care services, transportation, food processing, light manufacturing, government, arts, culture and entertainment. Prominent employers or businesses headquartered in the City include Pandora Radio, Kaiser Permanente, Dreyer’s Grand Ice Cream, Southwest Airlines, FedEx, Clorox Company, AT&T, U.S. Postal Service and Safeway Inc.

Culturally, the City is home to a regionally and nationally recognized symphony, many up-and-coming artistic and cultural institutions, an award-winning zoo, the Paramount Theater and the Fox Theater, a burgeoning restaurant scene, the recently remodeled Oakland Museum of California, and a vibrant nightlife. The City is also currently home to three major professional sports teams. The Oakland Athletics, the Golden State Warriors* and the Oakland Raiders† all play at stadiums within the City. At other times these venues are used for concerts, other sporting events and other purposes.

The City boasts one of the highest percentages of parks and open space per capita in the nation. The City counts lush green hills, forests, creeks, an estuary and two lakes among its natural amenities, and the extensive East Bay Regional Park District is easily accessible from the City.

* The Golden State Warriors are expected to move to San Francisco in 2019.

† The Oakland Raiders are expected to move to Las Vegas in 2020.

Population

The following table sets forth the population of the City, the County and the State for the last 10 years. The City's population increased by 42,173, or approximately 10.8%, over this 10-year period.

City of Oakland, County of Alameda and State of California Population 2010 - 2019⁽¹⁾

Calendar Year	City of Oakland	County of Alameda	State of California
2010 ⁽¹⁾	390,724	1,510,271	37,253,956
2011	397,235	1,525,457	37,529,913
2012	399,775	1,543,365	37,874,977
2013	406,536	1,567,167	38,234,391
2014	411,636	1,588,576	38,568,628
2015	420,269	1,611,770	38,912,464
2016	424,471	1,629,738	39,179,627
2017	427,503	1,646,405	39,500,973
2018	431,373	1,656,884	39,740,508
2019	432,897	1,669,301	39,740,508

⁽¹⁾ Data reflects population estimates as of April 1 for calendar year 2010.

Source: California Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2001-2010, with 2000 & 2010 Census Counts for 2009-10 and E-4 Population Estimates for Cities, Counties, and the State, 2011-2019, with 2010 Census Benchmark for 2011-2019.

Employment

The following table sets forth industries in the County of Alameda in terms of employment in each respective industry, as estimated by the State of California Employment Development Department as follows:

County of Alameda Employment by Industry Group Annual Averages 2012 – 2016⁽¹⁾

Industry	2012	2013	2014	2015	2016
Farm	700	600	500	500	500
Mining, Logging & Construction	33,300	35,600	37,600	40,900	43,000
Manufacturing	62,300	64,600	67,500	72,500	75,000
Trade, Transportation & Utilities	123,300	127,700	131,300	135,700	137,900
Information	14,500	14,100	14,700	16,600	18,200
Financial Activities	26,100	28,000	29,100	29,300	30,300
Professional & Business Services	117,300	118,400	120,400	125,700	128,700
Educational & Health Services	108,300	111,000	111,600	114,500	117,600
Leisure & Hospitality	58,300	61,900	65,800	68,400	70,900
Other Services	24,000	24,800	25,000	25,500	26,200
Government	114,900	115,100	117,300	120,100	123,500

⁽¹⁾ Most recent data available as of the date of this Official Statement.

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

Industry and Employment

The following table sets forth estimates of the labor force, civilian employment, unemployment and unemployment rates for City residents, County residents and State residents from calendar years 2011 through 2018. The California Employment Development Department reported unemployment rates for 2018 at 4.2% for the State, 3.0% for the County and 3.4% for the City (not seasonally adjusted).

City of Oakland, County of Alameda and State of California Civilian Labor Force, Employment and Unemployment Annual Average 2011 – 2018

	Labor Force	Civilian Employment	Unemployment	Unemployment Rate (%)
City of Oakland				
2011	205,600	180,200	25,300	12.3%
2012	207,800	185,600	22,100	10.7
2013	207,600	189,100	18,500	8.9
2014	208,600	193,600	15,000	7.2
2015	211,100	198,700	12,400	5.9
2016	215,100	204,500	10,600	4.9
2017	211,700	201,500	10,200	4.8
2018	214,500	207,100	7,400	3.4
County of Alameda				
2011	786,800	707,400	79,400	10.1%
2012	798,400	729,000	69,400	8.7
2013	802,800	744,800	58,000	7.2
2014	808,100	761,100	47,000	5.8
2015	819,700	780,800	38,900	4.7
2016	832,500	796,800	35,700	4.3
2017	848,500	817,600	30,900	3.6
2018	848,200	822,800	25,400	3.0
State of California				
2011	18,415,100	16,258,100	2,157,000	11.7%
2012	18,523,800	16,602,700	1,921,100	10.4
2013	18,625,000	16,958,400	1,666,600	8.9
2014	18,714,700	17,310,900	1,403,800	7.5
2015	18,851,100	17,681,800	1,169,200	6.2
2016	19,044,500	18,002,800	1,041,700	5.5
2017	19,205,300	18,285,500	919,800	4.8
2018	19,398,200	18,582,800	815,400	4.2

Source: State of California Employment Development Department – Unemployment Rates (Labor Force).

Major Employers

The following tables set forth the top ten major private employers in the City and the principal employers in the County.

City of Oakland Major Private Employers

Employer	Number of Employees
Kaiser Permanente	11,734
Southwest Airlines	2,634
UCSF Benioff Children's Hospital Oakland	2,400
Alta Bates Summit Medical Center, Summit Campus	2,299
United Parcel Services	2,259
Securitas Security Services	1,564
Allied Universal	1,500
Federal Express Corp.	1,344
Pandora Music Inc.	1,000
Manos Home Care	973

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

County of Alameda Principal Employers

Employer	Number of Employees
Kaiser Permanente	34,398
Sutter Health	10,184
Tesla	10,000
County of Alameda	9,545
Safeway Inc.	9,373
John Muir Health	6,484
Chevron Corp.	5,252
PG&E Corporation	5,100
Wells Fargo Bank	5,089
United Parcel Services	4,500

Source: County of Alameda Comprehensive Annual Financial Report for the year ended June 30, 2018.

Construction Activity

The following table sets forth a summary of housing unit building permits in the City and the County.

City of Oakland and the County of Alameda Housing Unit Building Permits 2014 – 2018

	2014	2015	2016	2017	2018
City of Oakland					
Units in Single-Family Structures	81	109	125	118	117
Units in All Multi-Family Structures	176	757	1,818	3,943	3,619
Total Units	257	866	1,943	4,061	3,736
County of Alameda					
Units in Single-Family Structures	1,613	1,905	2,111	2,175	1,831
Units in All Multi-Family Structures	1,825	3,196	3,166	6,889	6,147
Total Units	3,438	5,101	5,277	9,064	7,978

Sources: U.S. Department of Housing and Urban Development for years 2014-2015; Construction Industry Research Board (CIRB) and California Homebuilding Foundation (CHF) for 2016-2018.

The following table sets forth a summary of non-residential valuation for the City and the County.

City of Oakland and the County of Alameda Non-Residential Building Permit Valuations 2014 – 2018⁽¹⁾

	2014	2015	2016	2017	2018
City of Oakland	\$ 58,015,043	\$ 96,605,362	\$ 386,600,476 ⁽²⁾	\$ 601,181,895	\$ 414,962,721
County of Alameda	1,026,771,499	1,146,437,073	1,270,755,210	1,587,834,270	1,727,902,192

⁽¹⁾ Includes non-residential valuation for hotels and motels, non-housekeeping shelter, recreational, churches, industrial, parking garages, service stations, hospitals, offices, public work, schools education, retail, other non-residential buildings, structures other than buildings, non-residential alterations and residential garages.

⁽²⁾ Increase in non-residential building permit valuation for the City of Oakland in 2016 is primarily due to newly available data from the City's Planning and Building Department.

Sources: CIRB and CHF.

Median Housing Price

The median price of a single-family home in the City increased from \$198,000 in 2009 to \$700,000 in 2018. The median price of a single-family home in the County increased from \$339,000 in 2009 to \$826,000 in 2018.

City of Oakland and County of Alameda Median Housing Prices 2009 – 2018⁽¹⁾

Year	City of Oakland	County of Alameda
2009	\$198,000	\$339,000
2010	242,250	369,000
2011	220,000	337,000
2012	250,000	367,750
2013	377,500	483,000
2014	430,000	561,000
2015	520,000	630,000
2016	565,000	676,250
2017	635,000	750,000
2018	700,000	826,000

⁽¹⁾ Most recent data available as of the date of this Official Statement.

Source: CoreLogic, provided by DQNews.

Income

Personal income in the San Francisco – Oakland – Hayward Metropolitan Statistical Area (which is larger than the District, and which contains the District) increased by 6.4% from 2016 to 2017. Per capita personal income in the area grew by 5.8% in that same time period. The following table summarizes personal income for the San Francisco – Oakland – Hayward Metropolitan Statistical Area, which encompasses the District, for the calendar years 2008 through 2017.

Personal Income and Per Capita Income San Francisco – Oakland – Hayward Metropolitan Statistical Area 2008 – 2017⁽¹⁾

Year	Personal Income (\$ in Thousands)	Annual Percent Change	Per Capita Income	Annual Percent Change
2008	\$264,563,680	--	\$63,255	--
2009	248,917,851	(5.9)%	59,442	(6.0)%
2010	255,461,345	2.6	61,194	2.9
2011	278,037,608	8.8	65,501	7.0
2012	304,722,327	9.6	70,351	7.4
2013	313,452,105	2.9	71,082	1.0
2014	332,445,103	6.1	76,230	7.2
2015	368,794,858	10.9	82,523	8.2
2016 ⁽²⁾	406,159,800	10.1	86,434	4.7
2017 ⁽²⁾	432,359,900	6.4	91,459	5.8

⁽¹⁾ Most recent data available as of the date of this Official Statement.

⁽²⁾ Numbers reflect rounding because data only available in millions of dollars for 2016 and 2017.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income by Metropolitan Area, 2009-2017.

Retail Sales

The following tables set forth a history of taxable sales for the City and County for calendar years 2010 through 2016.

City of Oakland and County of Alameda Taxable Sales 2010 – 2016⁽¹⁾ (\$ in Thousands)

Taxable Sales	Retail and Food Services		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
City of Oakland				
2010	7,849	\$2,246,454	10,981	\$3,310,325
2011	7,238	2,504,327	10,284	3,733,232
2012	7,694	2,741,626	10,715	4,031,912
2013	7,713	2,871,106	10,670	4,179,349
2014	7,797	3,041,086	10,742	4,357,407
2015	8,080	3,159,286	12,264	4,455,627
2016	8,054	3,135,414	12,391	4,459,606
County of Alameda				
2010	26,241	\$13,374,283	40,348	\$21,541,741
2011	24,809	14,519,756	38,577	23,430,799
2012	26,027	15,781,349	39,706	25,181,571
2013	27,017	16,893,102	40,662	26,624,571
2014	27,152	17,820,857	40,746	28,377,714
2015	27,765	18,702,806	45,197	29,770,157
2016	27,273	19,386,688	44,799	30,958,480

⁽¹⁾ Most recent data available as of the date of this Official Statement.

Source: California State Board of Equalization, Taxable Sales in California for 2010 through 2016.

APPENDIX B

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Oakland Unified School District (the “District”), the District’s finances, and State of California (the “State”) funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2019 Bonds is payable from the general fund of the District or from State revenues. Each Series of the Series 2019 Bonds are payable from the proceeds of an unlimited ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Alameda (the “County”) on property within the District in an amount sufficient for the timely payment of principal of and interest on each series of the Series 2019 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS” in the front portion of this Official Statement.

THE DISTRICT

General

The Oakland Unified School District (the “District”) is located in and is approximately coterminous with the City of Oakland, California (the “City”), located on the east side of the San Francisco Bay, approximately seven miles from San Francisco. The District’s boundaries also include small portions of the neighboring City of Emeryville. The District encompasses approximately 53.8 square miles, including a diverse economy of industry, services, health care, retail and other commercial activity. The District was unified in 1952, combining then-existing high school and elementary school districts.

The District currently operates forty-nine elementary schools serving grades K-5, fourteen middle schools serving grades 6-8, five elementary/middle schools serving grades K-8, seven comprehensive senior high schools serving grades 9-12, three middle/high schools serving grades 6-12, and seven alternate high school programs. Thirty-four charter schools currently operate within the District’s boundaries. The District has projected enrollment for fiscal year 2018-19 of approximately 36,485 students in grades K-12, not including the students attending the charter schools. As of March 13, 2019, the District has budgeted to employ approximately 4,571.7 full-time equivalent (“FTE”) employees, including 2,654.1 FTE certificated (teaching) employees, 1,420.7 FTE classified (non-teaching) employees and 496.9 management, supervisory and confidential employees. The District’s projected fiscal year 2018-19 general fund expenditures are approximately \$605.3 million.

Board of Education

The District operates under the jurisdiction of the Alameda County Superintendent of Schools. The governing board of the District is the Board of Education (the “Board of Education”). The Board of Education consists of seven members who are elected to staggered four-year terms and two student board members who participate on an advisory basis. The name, office and the month and year of the expiration of the term of the seven elected members of the Board of Education are described below.

<u>Name</u>	<u>Office</u>	<u>District</u>	<u>Term Expires</u>
Aimee Eng	President	District 2	January 2023
Jody London	Vice President	District 1	January 2021
Shanthi Gonzales	Director	District 6	January 2023
James Harris	Director	District 7	January 2021
Jumoke Hinton-Hodge	Director	District 3	January 2021
Roseann Torres	Director	District 5	January 2021
Gary Yee	Director	District 4	January 2023

Superintendent and Key Personnel

The Superintendent of the District is appointed by the Board of Education and reports to the Board of Education. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

Dr. Kyla Johnson-Trammell, Superintendent. On May 10, 2017, the Board of Education announced that Dr. Johnson-Trammell was selected to serve as Superintendent of the District and she began serving in the role in July 2017. Prior to being appointed Superintendent, Dr. Johnson-Trammell served as the District's Interim Deputy Superintendent, Academic and Social Emotional Learning from February 2017 to July 2017. Prior to her role as Interim Deputy Superintendent, Dr. Johnson-Trammell served the District in a variety of roles, including as Network Superintendent of Elementary Schools, Associate Superintendent of Leadership, Curriculum and Instruction, and Administrator on Special Assignment. Prior to those roles, she served the District as Principal of an elementary school, Assistant Principal of a middle school, and as an elementary school teacher. Dr. Johnson-Trammell has a bachelor's degree in communications from the University of Pennsylvania, a Master's degree in educational leadership from the University of California, Berkeley, and a Doctor of Education degree in Educational Leadership.

Gina Murphy-Garrett, Senior Executive Director, Fiscal Services. Ms. Murphy-Garrett joined the District as Senior Executive Director, Fiscal Services on October 1, 2018. She brings 28 years of public school business operations experience to her role leading work on budget development, financial reporting, and transition to the Escape business platform, oversight of the Fiscal Analyst team, and partnership with ACOE's Intensive Technical Assistance and Support team. She started her career in public education at Fresno Unified School District as an accountant and then worked at Clovis School District as a financial analyst. Subsequently, she worked as the Director of Fiscal Services at Central Unified School District, and then as Assistant Superintendent of Business Services at Golden Plains Unified School District. Ms. Murphy-Garrett then served as Chief Business Officer to Linden Unified School District and, just prior to working for the District, she served as the Executive Director of Fiscal Services with Pleasanton Unified School District. She has a bachelor's degree in business administration and accountancy and a Master's degree in educational administration and supervision, both from California State University, Fresno. She has also earned the California Association of School Business Officials (CASBO) Chief Business Officer Certification.

Michael Smith, Interim General Counsel. Mr. Smith joined the District's legal team in 2005. He has over 17 years of legal experience. Mr. Smith has a bachelor of arts degree in political science from Willamette University and a law degree from the University of California, Berkeley School of Law. Mr. Smith was appointed as Interim General Counsel effective May 1, 2019, and previously served the District as Deputy General Counsel. He is expected to serve as Interim General Counsel through July 1, 2019.

The District has faced significant turnover in management as well as budget and fiscal services staff, including actual and announced resignations in the last few months by its Senior Business Officer, Chief Financial Officer, General Counsel and Interim General Counsel. Recent resignations in budget and fiscal services personnel are a reflection of challenges in finding candidates that are well-suited to District demands and pressures as well as Districtwide reorganization efforts. The District conducted a reorganization process this year that significantly reduced staff in almost every central office and department. Additionally, the District has entered into a working relationship with ACOE for ACOE to provide Intensive Technical Assistance and Support to the District's fiscal services team. The District's Interim General Counsel is currently managing the District's legal department and, after July 3, 2019, outside counsel will provide legal support during the pending search period for a new General Counsel. The District is also in the process of conducting interviews for a Chief Financial Officer.

Fiscal Oversight

In connection with the emergency financial assistance provided to the District by the State in fiscal year 2002-03, the State Superintendent appointed a trustee for the District (the "**Fiscal Oversight Trustee**"). The Fiscal Oversight Trustee serves at the pleasure of, and reports directly to, the County Superintendent of Schools, until (i) the emergency loan (the "**Emergency Apportionment Loan**") is repaid, (ii) the District has adequate fiscal systems and controls in place and (iii) the County Superintendent of Schools has determined that the District's future compliance

with the Recovery Plan (as defined below) is probable. During his or her tenure, the Fiscal Oversight Trustee is empowered to stay or rescind any action of the Board of Education that, in the judgment of the Fiscal Oversight Trustee, may affect the District's financial condition.

Assembly Bill 1840 (which became effective on September 17, 2018) ("**AB 1840**"), requires the District to take certain actions by March 1, 2019 for fiscal year 2018–19, regarding its financial plans and construction plans, in collaboration with and with the concurrence of the Alameda County Superintendent of Schools and the County Office Fiscal Crisis and Management Assistance Team. AB 1840 provides that, beginning in fiscal year 2019–20 and ending in fiscal year 2021–22, the Budget Act of the State for those fiscal years shall include certain appropriations for the District, with the disbursement of moneys from those appropriations contingent upon the completion of activities specified in the prior year Budget Act to improve the District's fiscal solvency. In connection with AB 1840, Chris Learned was appointed the Fiscal Oversight Trustee for the District on July 1, 2017 by the State Superintendent of Public Instruction. Prior to his appointment as Fiscal Oversight Trustee, Mr. Learned had over 40 years of experience in California K-12 business and operations. In 2015, Mr. Learned retired as Associate Superintendent of Business Services for Acalanes Union High School District after 18 years of service. Mr. Learned has a Bachelor's degree in business administration and a Master's degree in business administration.

Mr. Learned has informed the District that he will not rescind the Board of Education's authorization of the Series 2019 Bonds because the issuance of the Series 2019 Bonds will not impact the District's financial condition.

Strategic Plan; School Closures

In November 2014, the District released a five-year strategic plan (the "**Strategic Plan**") for 2015-2020 with five goals: (i) providing every student with access to a high-quality school; (ii) ensuring each student is prepared for college, career and community success; (iii) staffing every school with talented individuals committed to working in service of children; (iv) creating a school district that holds itself and its partners accountable for superior outcomes; and (v) guaranteeing rigorous instruction in every classroom. The Strategic Plan also identified three major priorities: (i) creating effective talent programs; (ii) creating an accountable school district; and (iii) creating quality community schools. The District has also adopted a Local Control and Accountability Plan ("**LCAP**") that identifies specific goals and actions in line with the Strategic Plan.

The District has also developed the Board-approved Community of Schools Citywide Plan (the "**Citywide Plan**") that maps out a sustainable District footprint based on several data points related to enrollment projections, city demographic projections, and geographic data relating to where students live and attend schools. The data show that the District's projected student population would be served more efficiently with 24 fewer buildings than are currently being utilized. Simultaneously, the District is evaluating revenue generation opportunities with its available surplus property. The Citywide Plan is expected to be implemented over five years, with cohorts of new consolidations, mergers, closures and redesigned schools identified annually for an initial planning phase and subsequent implementation. Cohort I merged two elementary schools and two middle schools, closed one middle school, and expanded a successful high school program, resulting in a net of three fewer schools. Cohort II enters its planning phase in fiscal year 2019-20 and tentatively includes at least two more mergers (which will result in a net of two fewer schools), and subsequent closures.

DISTRICT FINANCIAL MATTERS

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" below) 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" below). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has budgeted to receive approximately 59.2% 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 \$347.3 million in fiscal year 2018-19. Such amount includes both the State funding provided under the LCFF (defined herein) as well as other State revenues (see "– Allocation of State

Funding to School District; Local Control Funding Formula” 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.

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

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

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State’s voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature “as related to the budget in the budget bill.” The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2018-19 State budget on June 27, 2018.

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

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

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

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

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

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2019 Bonds, and the District takes no responsibility for informing owners of the Series 2019 Bonds as to actions the State Legislature or Governor may take affecting the current year’s budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the State budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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

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

2018-19 State Budget. The Governor signed the fiscal year 2018-19 State Budget (the “**2018-19 State Budget**”) on June 27, 2018. The 2018-19 State Budget sets forth a balanced budget for fiscal year 2018-19 that projects approximately \$133.33 billion in revenues, and \$83.82 billion in non-Proposition 98 expenditures and \$54.87 billion

in Proposition 98 expenditures. The 2018-19 State Budget includes a \$1.96 billion reserve in the Special Fund for Economic Uncertainties. The 2018-19 State Budget uses dedicated proceeds from Proposition 2 to pay down approximately \$1.75 billion in past budgetary borrowing and State employee pension liabilities. The 2018-19 State Budget includes total funding of \$97.2 billion (\$56.1 billion general fund and \$41.1 billion other funds) for all K-12 education programs. The 2018-19 State Budget provides \$3.7 billion in new funding for the LCFF, which fully implements the school district and charter school formula two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional \$570 million above the cost of living adjustment as an ongoing increase to the formula. The 2018-19 State Budget also provides \$300 million one-time Proposition 98 general fund resources for the Low-Performing Students Block Grant, which will provide resources in addition to LCFF funds to local educational agencies with students who perform at the lowest levels on the State's academic assessments and do not generate supplemental LCFF funds or State or federal special education resources.

Certain budgeted adjustments for K-12 education set forth in the 2018-19 State Budget include the following:

- Statewide System of Support. The 2018-19 State Budget includes \$57.8 million in Proposition 98 general fund resources for county offices of education to provide technical assistance to school districts, of which \$4 million will go towards geographical regional leads to build systemwide capacity to support school district improvement.
- Multi-Tiered Systems of Support (MTSS). The 2018-19 State Budget includes \$15 million one-time Proposition 98 general fund resources to expand the State's MTSS framework to foster positive school climate in both academic and behavioral areas.
- Community Engagement Initiative. The 2018-19 State Budget includes \$13.3 million one-time Proposition 98 general fund resources for the California Collaborative for Educational Excellence and a co-lead county office of education to help school districts build capacity for community engagement in the LCAP process.
- California Collaborative for Educational Excellence. The 2018-19 State Budget includes \$11.5 million Proposition 98 general fund resources to support the California Collaborative for Educational Excellence in its role within the statewide system of support.
- Special Education Local Plan Area (SELPA) Technical Assistance. The 2018-19 State Budget includes \$10 million Proposition 98 general fund resources for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance (specific to students with exceptional needs) within the statewide system of support.
- Strong Workforce Program. The 2018-19 State Budget includes \$164 million ongoing Proposition 98 general fund resources to establish a K-12 specific component within the Strong Workforce Program designed to encourage local educational agencies to offer high-quality career technical education programs that are aligned with needed industry skills and regional workforce development efforts occurring through the existing Strong Workforce Program.
- Career Technical Education Incentive Grant Program. The 2018-19 State Budget includes \$150 million ongoing Proposition 98 general fund resources to make permanent the Career Technical Education Incentive Grant Program.
- Inclusive Early Education Expansion Program. The 2018-19 State Budget creates the Inclusive Early Education Expansion Program, providing \$167.2 million one-time Proposition 98 general fund resources through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income areas and in areas with relatively low access to care.

The complete 2018-19 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 2019-20 State Budget. The Governor released his proposed State budget for fiscal year 2019-20 (the “**Proposed 2019-20 State Budget**”) on January 10, 2019. The Proposed 2019-20 State Budget sets forth a balanced budget for fiscal year 2019-20. However, the Governor cautions that there are uncertainties that must be considered as the budget is revised, including the impact of the global political and economic climate, changes to federal policy, rising costs and risk of recession. The Proposed 2019-20 State Budget estimates that total resources available in fiscal year 2018-19 totaled approximately \$149.3 billion (including a prior year balance of approximately \$12.4 billion) and total expenditures in fiscal year 2018-19 totaled approximately \$144.1 billion. The Proposed 2019-20 State Budget projects total resources available for fiscal year 2019-20 of approximately \$147.9 billion, inclusive of revenues and transfers of approximately \$142.6 billion and a prior year balance of \$5.2 billion. The Proposed 2019-20 State Budget projects total expenditures of \$144.2 billion, inclusive of non-Proposition 98 expenditures of approximately \$88.9 billion and Proposition 98 expenditures of approximately \$55.3 billion. The Proposed 2019-20 State Budget proposes to allocate approximately \$1.4 billion of the general fund’s projected fund balance to the Reserve for Liquidation of Encumbrances and \$2.3 billion of such fund balance to the State’s Special Fund for Economic Uncertainties. In addition, the Proposed 2019-20 State Budget estimates the Rainy Day Fund will have a fund balance of \$15.3 billion.

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

- Local Control Funding Formula. The Proposed 2019-20 State Budget includes an increase of \$2 billion in Proposition 98 general fund resources for the LCFF.
- CalSTRS Pension Costs. The Proposed 2019-20 State Budget includes a \$3 billion one-time payment of non-Proposition 98 general fund resources to CalSTRS to reduce long-term liabilities for local educational agencies and community colleges, of which \$700 million will go towards buying down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining \$2.3 billion will be allocated to the employers’ long-term unfunded liability.
- Statewide System of Support. The Proposed 2019-20 State Budget includes an increase of \$20.2 million of Proposition 98 general fund resources for county offices of education to provide technical assistance to school districts, consistent with the formula adopted in the 2018-19 State Budget.
- Special Education. The Proposed 2019-20 State Budget includes \$576 million of Proposition 98 general fund resources, of which \$186 million is on a one-time basis, to support expanded special education services and school readiness supports at local educational agencies with high percentages of both students with disabilities and unduplicated students who are low-income, youth in foster care, and English language learners.
- Access to Full-Day Kindergarten Programs. The Proposed 2019-20 State Budget includes an increase of \$750 million of one-time non-Proposition 98 general fund resources to increase participation in kindergarten programs by constructing new or retrofitting existing facilities for full-day kindergarten programs.
- Longitudinal Education Data. The Proposed 2019-20 State Budget includes an increase of \$10 million of one-time non-Proposition 98 general fund resources for the development of a longitudinal data system to improve coordination across educational data systems and track the impact of State investments on achieving educational goals. This system will host student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. Stakeholder meetings will be held to consider data reliability and ways to improve data quality at each education segment.

- Proposition 98 Certification. The Proposed 2019-20 State Budget proposes to revise the Proposition 98 certification process to eliminate the cost allocation schedule and prohibit the State from adjusting Proposition 98 funding levels for a prior fiscal year in order to protect local educational agencies from unanticipated revenue drops in past fiscal years.
- School District Average Daily Attendance. The Proposed 2019-20 State Budget includes a decrease of \$388 million of Proposition 98 general fund resources in 2018-19 for school districts as a result of a decrease in projected average daily attendance from the 2018-19 State Budget, and a decrease of \$187 million of Proposition 98 general fund resources in 2019-20 for school districts as a result of further projected decline in average daily attendance for 2019-20.
- Local Property Tax Adjustments. The Proposed 2019-20 State Budget includes a decrease of \$283 million of Proposition 98 general fund resources for school districts and county offices of education in 2018-19 as a result of higher offsetting property tax revenues, and a decrease of \$1.25 billion of Proposition 98 general fund resources for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes.
- Cost-of-Living Adjustments. The Proposed 2019-20 State Budget includes an increase of \$187 million of Proposition 98 general fund resources to support a 3.46% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- CalWORKs Stages 2 and 3 Child Care. The Proposed 2019-20 State Budget includes a net increase of \$119.4 million of non-Proposition 98 general fund resources in 2019-20 to reflect increases in the number of CalWORKs child care cases. Total costs for Stage 2 and Stage 3 child care are \$597.0 million and \$482.2 million, respectively.
- Full-Year Implementation of Prior Year State Preschool Slots. The Proposed 2019-20 State Budget includes an increase of \$26.8 million of Proposition 98 general fund resources to reflect full-year costs of 2,959 full-day State Preschool slots implemented part-way through fiscal year 2018-19.
- County Offices of Education. The Proposed 2019-20 State Budget includes an increase of \$9 million of Proposition 98 general fund resources for county offices of education to reflect a 3.46% cost-of-living adjustment and average daily attendance changes applicable to the LCFF.
- Emergency Readiness, Response and Recovery Grant. The Proposed 2019-20 State Budget includes an increase of \$50 million of one-time non-Proposition 98 general fund resources to commence a comprehensive, statewide education campaign on disaster preparedness and safety.

The complete Proposed 2019-20 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of Proposed 2019-20 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 Proposed 2019-20 State Budget entitled “The 2019-20 Budget: Overview of the Governor’s Budget” on January 14, 2019 (the “**2019-20 Proposed Budget Overview**”). In the 2019-20 Proposed Budget Overview, the LAO summarizes the condition of the Proposed 2019-20 State Budget in light of uncertainties such as market volatility, rising costs and risk of recession. The LAO also highlights key features of the Proposed 2019-20 State Budget, which include prioritizing debt repayments and one-time programmatic spending and the early introduction of new policy goals.

The LAO notes that the Proposed 2019-20 State Budget is in a positive position, based in large part on the availability of significant discretionary resources in the amount of \$20.6 billion. The LAO explains that this is due to

the administration's higher revenue assumptions and lower-than-expected spending in health and human services programs. The LAO anticipates that capital gains revenues will likely be lower than the Proposed 2019-20 State Budget assumes due to the recent volatility of the financial market, including the sharp decline in stock prices at the end of 2018. However, the LAO suggests that any losses in capital gains revenues would likely be off-set by lower constitutionally required spending and reserve deposits. As a result, the LAO explains that under current conditions, the net effect on discretionary resources would be less than the full revenue decline. Although the LAO maintains a positive outlook on the Proposed 2019-20 State Budget, the LAO recognizes that the current financial market and economic conditions can change significantly and affect revenues in the May Revision of the Proposed 2019-20 State Budget.

The LAO summarizes that the Proposed 2019-20 State Budget allocates \$20.6 billion in discretionary resources among a variety of priorities, including \$9.7 billion for reducing debts and liabilities on a one-time basis, \$5.1 billion for programmatic spending on a one-time basis, \$2.7 billion for ongoing spending and \$3 billion for reserves. The LAO points out that the Proposed 2019-20 State Budget uses a significant portion of discretionary resources for debt repayment and prioritizes one-time spending for programmatic expansions. The LAO finds this allocation prudent even though the Proposed 2019-20 State Budget apportions a smaller share of resources for reserves than recent budgets. The LAO explains that this approach benefits the budget in future years and in some cases reduces ongoing spending growth.

The LAO notes that the Proposed 2019-20 State Budget apportions \$2.7 billion for ongoing spending, which will reach an estimated \$3.5 billion under full implementation as costs grow over time. The LAO explains that these expenditure levels are in line with estimates of available ongoing resources. However, the LAO cautions that these costs could grow due to various uncertainties not captured in the spending proposals, such as increased costs for CalWORKs grants in case of recession and costs for disaster mitigation, response and recovery. The LAO further notes that while the Proposed 2019-20 State Budget includes mostly one-time spending for these purposes, they are more likely to be ongoing costs.

The LAO explains that the Proposed 2019-20 State Budget establishes a number of policy goals, including developing a plan for implementing universal preschool, negotiating existing state prescription drug prices and reviewing related negotiation and procurement practices, and expanding paid family leave. The LAO notes that these proposals are still in the process of development and, therefore, are not reflected in the administration's budget bottom line. The LAO finds that by proposing these policy goals at the beginning of the budget process, the Governor gives the State Legislature the opportunity to collaborate with the administration to shape these policies.

The 2019-20 Proposed 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.

May Revision to the 2019-20 Proposed State Budget. The Governor released the May Revision to the proposed fiscal year 2019-20 State budget (the "**2019-20 May Revision**") on May 9, 2019. The 2019-20 May Revision proposes a balanced budget for fiscal year 2019-20. The 2019-20 May Revision projects an increase of \$3.2 billion in short-term general fund revenues as compared to the Proposed 2019-20 State Budget. However, most of the increased revenues are constitutionally obligated to reserves, debt repayments and schools. Therefore, the budget surplus remains relatively unchanged. The 2019-20 May Revision estimates that total resources available in fiscal year 2018-19 will be approximately \$149.5 billion (including revenues and transfers of approximately \$138.1 billion and a prior year balance of \$11.4 billion) and total expenditures in fiscal year 2018-19 will be approximately \$143.2 billion. The 2019-20 May Revision projects total resources available for fiscal year 2019-20 of approximately \$150.1 billion, inclusive of revenues and transfers of approximately \$143.8 billion and a prior year balance of approximately \$6.2 billion. The 2019-20 May Revision projects total expenditures of approximately \$147.0 billion, inclusive of non-Proposition 98 expenditures of \$91.1 billion and Proposition 98 expenditures of \$55.9 billion. The 2019-20 May Revision proposes to allocate approximately \$1.4 billion of the State general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and approximately \$1.7 billion of such fund balance to the State's special fund for economic uncertainties. In addition, the 2019-20 May Revision estimates that the State's Rainy Day Fund will have a fund balance of approximately \$16.5 billion.

The 2019-20 May Revision assumes slow economic expansion and a balanced budget through fiscal year 2019-20, although its forecasts are limited by growing uncertainty related to the global political and economic climate, federal policies, rising costs and the duration of the current economic expansion. The 2019-20 May Revision projects that the Rainy Day Fund will reach its maximum of 10% of general fund revenues in fiscal year 2020-21. By the end of fiscal year 2022-23, the 2019-20 May Revision projects that the Rainy Day Fund balance will have a balance of \$18.7 billion.

The 2019-20 May Revision includes total funding of \$101.8 billion for all K-12 education programs, including \$58.9 billion from the general fund and \$42.9 billion from other funds.

Certain adjustments and budgetary proposals for K-12 education set forth in the 2019-20 May Revision include the following:

- Proposition 98 Minimum Guarantee. The 2019-20 May Revision projects increased Proposition 98 funding by \$78.4 million in fiscal year 2017-18, \$278.8 million in fiscal year 2018-19 and \$389.3 million in fiscal year 2019-20, due to an increase in general fund revenues, an increase in the minimum guarantee funding level in fiscal year 2017-18 and a slightly slower decline in A.D.A. than projected in the Proposed 2019-20 State Budget.
- Public School System Stabilization Account. For the first time, the 2019-20 May Revision projects that a deposit is required to the Public School System Stabilization Account in the amount of \$389.3 million in Proposition 98 resources.
- Special Education. The 2019-20 May Revision proposes to allocate \$696.2 million in ongoing Proposition 98 general fund resources to special education, \$119.2 million more than set forth in the Proposed 2019-20 State Budget, to increase coordination between local general education and special education programs, and for program governance and accountability for special education student outcomes.
- Retaining Well-Prepared Educators. The 2019-20 May Revision includes \$89.8 million in one-time non-Proposition 98 general fund resources for loan repayments of newly credentialed teachers to work in high-need schools. The 2019-20 May Revision also includes \$44.8 million in one-time non-Proposition 98 general fund resources to provide training and resources for classroom educators, including teachers and paraprofessionals, and \$13.9 million in ongoing federal funds for professional learning opportunities for public school administrators supporting diverse student populations in State public schools.
- Access to Computer Science Education. The 2019-20 May Revision includes \$15 million in one-time Proposition 98 general fund resources for broadband infrastructure and \$1 million in one-time non-Proposition 98 general fund resources for the State Board of Education to establish a State Computer Science Coordinator.
- CalSTRS Employer Contribution Rate. The 2019-20 May Revision includes \$150 million in one-time non-Proposition 98 general fund resources to reduce the employer contribution rate to 16.7% in fiscal year 2019-20.
- Local Control Funding Formula Adjustments. The 2019-20 May Revision proposes an increase of \$70 million in Proposition 98 general fund resources in fiscal year 2018-19 and a decrease of \$63.9 million in Proposition 98 general fund resources in fiscal year 2019-20 for school districts, charter schools and county offices of education to reflect changes in A.D.A. and cost-of-living in fiscal year 2019-20 that affect the LCFE calculation.
- Classified School Employees Summer Assistance Program. The 2019-20 May Revision includes an increase of \$36 million in one-time Proposition 98 general fund resources to provide an additional

year of funding for the Classified School Employees Summer Assistance Program, which provides a State match for classified employee savings used to provide income during summer months.

- Assembly Bill 1840 Adjustments. The 2019-20 May Revision includes an increase of \$3.6 million in one-time Proposition 98 general fund resources for the Inglewood Unified School District and \$514,000 in one-time Proposition 98 general fund resources for the Oakland Unified School District, amounting to 75% of the operating deficit of these districts, pursuant to Assembly Bill 1840.
- Local Property Tax Adjustments. The 2019-20 May Revision proposes an increase of \$146.6 million of Proposition 98 general fund resources in fiscal year 2018-19 and \$142.1 million in fiscal year 2019-20 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in these years.
- Wildfire-Related Cost Adjustments. The 2019-20 May Revision proposes an increase of \$2 million in one-time Proposition 98 general fund resources to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires in 2017 and 2018. The 2019-20 May Revision also proposes an increase of \$727,000 in one-time Proposition 98 general fund resources to reflect adjustments to the State's student nutrition programs resulting from wildfire-related losses.
- Categorical Program Cost-of-Living Adjustments. The 2019-20 May Revision proposes to decrease the Proposition 98 general fund by \$7.4 million for selected categorical programs during fiscal year 2019-20. Such decrease reflects a change in the cost-of-living set forth in the Proposed 2019-20 State Budget of 3.46% to 3.26% in the 2019-20 May Revision.
- Categorical Program Growth. The 2019-20 May Revision proposes to increase the Proposition 98 general fund by \$7.6 million for selected categorical programs, based on updated estimates of A.D.A. growth.

The complete 2019-20 May Revision 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 Analysis of the May Revision of 2019-20 Proposed State Budget Education Proposals. The LAO released its analyses of the education proposals included in the 2019-20 May Revision entitled, "Overview of the May Revision Proposition 98 Package" on May 13, 2019 and "The 2019-20 May Revision: Analysis of the May Revision Education Proposals" on May 15, 2019 (together, the "**May Revise Analysis**"). In the May Revise Analysis, the LAO notes that the 2019-20 May Revision contains many new policy proposals and major revisions to the Proposed 2019-20 State Budget. The LAO highlights large policy proposals in the 2019-20 May Revision, which include creating an emergency child care program, creating rapid re-housing programs for homeless college students and offering loan forgiveness to teachers working in shortage areas. The LAO also summarizes major modifications to the Proposed 2019-20 State Budget, which include reducing proposed funding for kindergarten facility grants and increasing ongoing funding for special education concentration grants.

The LAO explains that the 2019-20 May Revision calculations of the Proposition 98 minimum guarantee are reasonable. Compared to the 2019-20 May Revision, the LAO estimates general fund revenues to be \$200 million lower in fiscal year 2017-18 and \$400 million higher in fiscal years 2018-19 and 2019-20, primarily due to the availability of more recent data. The LAO estimates local property tax revenues to be comparable in fiscal year 2017-18 and \$134 million higher than the administration's estimates across fiscal years 2018-19 and 2019-20 combined. The LAO points out that these differences are minor. The LAO notes that its estimate of the Proposition 98 minimum guarantee is identical to the administration's estimates in fiscal year 2017-18 and only \$250 million higher across fiscal years 2018-19 and 2019-20 combined. As a result, the LAO finds that the administration's estimates of the Proposition 98 minimum guarantee are reasonable and appropriate for budget deliberations.

The LAO notes that the 2019-20 May Revision contemplates a \$389 million deposit in the Rainy Day Fund. The LAO finds this calculation to be consistent with the administration's estimate of the relevant factors. The LAO explains that although a \$389 million deposit is relatively small compared to the Proposition 98 minimum guarantee, the reserve could provide fiscal relief during recessions and periods in which districts face greater difficulty balancing their local budgets.

The LAO notes that the Proposed 2019-20 State Budget created a deficit in the Proposition 98 minimum guarantee budget for fiscal year 2020-21 by allocating nearly \$80 million in one-time funds to pay for ongoing programs. The LAO points out that the 2019-20 May Revision eliminates this deficit. The LAO explains that although the 2019-20 May Revision relies upon \$250 million in one-time funds to pay for ongoing programs, it also contains \$400 million in one-time allocations, mainly deposited in the Rainy Day Fund. The LAO calculates that these allocations provide the Proposition 98 minimum guarantee a net surplus of approximately \$150 million in fiscal year 2020-2021. The LAO cautions, however, that the \$150 million cushion is the smallest it has been in seven years. The LAO points out that over the past six years, the State has set aside an average of \$700 million each year for one-time activities (excluding settle-up payments and repurposing unspent prior-year funds). The LAO warns that even a modest recession could reduce the Proposition 98 minimum guarantee by a few billion dollars and quickly deplete the \$150 million cushion. As a result, the LAO suggests that the State Legislature shift even more funding toward one-time activities in its final budget package.

The LAO notes that the 2019-20 May Revision proposes to increase ongoing funding for special education grants. The LAO cautions that this proposal may conflict with its intended goal of reducing the number of students identified for special education services. The LAO points out that funding is based in part on the number of students identified with a disability and school districts with above-average identification rates would benefit, while school districts that successfully reduce identification rates would lose substantial funding. The LAO suggests that the State Legislature focus instead on equalizing existing special education funding rates or modifying the special education funding formula to allocate funding specifically for preschool special education, a service that schools are required to provide, but for which they currently receive no State funding.

According to the LAO, the 2019-20 May Revision proposes to limit eligibility for kindergarten facility grants to school districts that are converting their part-day program to a full-day program. The LAO finds this approach reasonable since the recipients of kindergarten facility grants in fiscal year 2018-19 were primarily school districts that already had full-day programs. The LAO explains that the 2019-20 May Revision also proposes to lower the required local match for kindergarten facility grants in order to encourage low-income school districts to apply. Although the LAO suggests that these policy modifications further the State's goal to increase full-day kindergarten programs, the LAO questions whether the proposed funding level of \$600 million is too high and overestimates the number of eligible school districts interested in converting their programs.

The May Revise Analysis 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.

[To be updated with 2019-20 State Budget.]

Changes in State Budget. The final fiscal year 2019-20 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 2019-20 State budget from the Proposed 2019-20 State Budget or the 2019-20 May Revision. Additionally, the District cannot predict the impact that the final fiscal year 2019-20 State budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2019-20 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 fiscal year 2018-19 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series 2019 Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Series 2019 Bonds.

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

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

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

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

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

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

unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

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

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a “redevelopment property tax trust fund” created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller’s administrative costs, in the following order of priority:

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

The District did not receive any pass-through payments in fiscal year 2017-18 and projects it will not receive any pass-through payments in fiscal year 2018-19.

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

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

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

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base revenue limit funding grant (“**Base Grant**”) per unit of average daily attendance (“**A.D.A.**”) with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF originally had an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. In fiscal year 2018-19, the LCFF was fully funded ahead of the eight year implementation schedule. The LCFF includes the following components:

- A Base Grant for each local educational agency. The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2018-19, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$7,459 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,571 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,796 per A.D.A. for grades 7 and 8; and (d) a Target Base Grant for each LEA equivalent to \$9,034 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State.
- A 20% supplemental grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local educational agency’s Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local educational agency that comprise more than 55% of enrollment.
- An Economic Recovery Target (the “**ERT**”) that is intended to ensure that almost every local educational agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local educational agencies would receive the greater of the Base Grant or the ERT.

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

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

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

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

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Attendance and LCFF. The following table sets forth the District’s actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, “**EL/LI Students**”), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2018-19. The State has reached full funding of the Base Grant in fiscal year 2018-19. The A.D.A. and enrollment numbers reflected in the following table include special education and exclude enrollment at any independent charter schools.

**OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
Average Daily Attendance/Base Grant and Enrollment
Fiscal Years 2013-14 through 2018-19**

Fiscal Year		A.D.A./Base Grant				Enrollment ⁽⁹⁾		
		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated % of EL/LI Students
2013-14	A.D.A. ⁽²⁾ :	13,431.30	8,450.94	4,725.57	8,245.15	34,852.96	36,869	77.59%
	Targeted Base Grant ⁽³⁾ :	\$6,952	\$7,056	\$7,266	\$8,419	-	-	-
2014-15	A.D.A. ⁽²⁾ :	13,574.62	8,321.54	4,766.64	8,523.18	35,185.98	37,096	78.07%
	Targeted Base Grant ⁽³⁾⁽⁴⁾ :	\$7,011	\$7,116	\$7,328	\$8,491	-	-	-
2015-16	A.D.A. ⁽²⁾ :	13,439.47	8,487.31	4,577.37	8,979.37	35,483.52	37,122	78.07%
	Targeted Base Grant ⁽³⁾⁽⁵⁾ :	\$7,083	\$7,189	\$7,403	\$8,578	-	-	-
2016-17	A.D.A. ⁽²⁾ :	12,977.63	8,391.58	4,502.63	9,168.33	35,040.17	36,761	78.07%
	Targeted Base Grant ⁽³⁾⁽⁶⁾ :	\$7,083	\$7,189	\$7,403	\$8,578	-	-	-
2017-18	A.D.A. ⁽²⁾ :	12,950.20	8,394.71	4,485.82	9,117.93	34,957.66	37,049	77.38%
	Targeted Base Grant ⁽³⁾⁽⁷⁾ :	\$7,193	\$7,301	\$7,518	\$8,712	-	-	-
2018-19 ⁽¹⁾	A.D.A. ⁽²⁾ :	11,973.47	7,730.93	4,306.84	8,527.42	32,538.66	36,485	76.73%
	Targeted Base Grant ⁽³⁾⁽⁸⁾ :	\$7,459	\$7,571	\$7,796	\$9,034	-	-	-

⁽¹⁾ Figures are projections.

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

⁽³⁾ Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts are not fully funded in any of the fiscal years listed above except for fiscal year 2018-19.

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

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

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

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

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

⁽⁹⁾ Reflects enrollment as of October report submitted to the CBEDS in each school year. For purposes of calculating supplemental and concentration grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI Students was expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment was based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI Students was and will be based on a rolling average of such school district’s EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: The District.

The District received approximately \$361.9 million in aggregate revenues reported under LCFF sources in

fiscal year 2017-18, and projects to receive approximately \$384.4 million in aggregate revenues under the LCFF in fiscal year 2018-19 (or approximately 65.5% of its general fund revenues in fiscal year 2018-19). Such amount includes combined supplemental and concentration grants budgeted to be approximately \$74.5 million in fiscal year 2018-19.

Local Sources of Education Funding

[Data to be updated with fiscal year 2019-20 data once Budget is adopted.]

General. The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 *et seq.* and Sections 95 *et seq.* of the California Revenue and Taxation Code. Section 42238(h) of the California Education Code itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts were known as "basic aid districts" and, under the LCFF, are known as "community funded districts." School districts that received some State aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district. Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" below for more information.

Local property tax revenues accounted for approximately 26.6% of the District's aggregate revenues reported under LCFF sources in fiscal year 2017-18, and are projected to be \$105.5 million, or 28.2% of its total general fund revenues in fiscal year 2018-19.

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."

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

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the District to make adjustments in fixed operating costs.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State's ability to meet the revenue and spending assumptions in the State's adopted budget, and the effect of these changes on school finance. The District's adopted budget and projected A.D.A. are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District's actual funding level for fiscal year 2018-19 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 8.7% (or approximately \$51.0 million) of the District's general fund projected revenues for fiscal year 2018-19.

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 12.2% (or approximately \$71.6 million) of the District's general fund projected revenues for fiscal year 2018-19. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately \$7.4 million for fiscal year 2018-19.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as interest earnings and other local sources. Other local revenues comprise approximately 13.6% (or approximately \$79.5 million) of the District's general fund projected revenues for fiscal year 2018-19.

Parcel Taxes. The District previously approved a qualified special tax (parcel tax) in 1996, which was extended in 2001 and 2004, and which is now expired.

In February 2008, voters in the District approved a permanent parcel tax measure, authorizing a \$195 per parcel tax with no sunset provision. The permanent parcel tax generates approximately \$20 million annually, and is used in part to attract and retain highly qualified teachers, maintain courses that help students qualify for college, maintain up-to-date textbooks and instructional materials, keep class sizes small, continue after-school academic programs, maintain school libraries, and provide programs, including arts and music, that enhance student achievement.

On November 4, 2014, voters in the District approved a parcel tax of \$120 per parcel for ten years, commencing July 1, 2015 and expiring June 30, 2025. The parcel tax is expected to generate approximately \$12 million annually. Proceeds from the parcel tax may be used (i) to increase support for high school students in college preparatory courses, (ii) to provide work-based learning in every high school, including career exploration, career technical education courses, job shadowing, internships and job certifications, (iii) to reduce the drop-out rate and (iv) to provide programs to students transitioning to high school and college.

On November 8, 2016, voters in the District approved a parcel tax of \$120 per parcel for twelve years, commencing July 1, 2017 and expiring June 30, 2029. The parcel tax is expected to generate approximately \$12.4 million annually, \$3.7 million of which is expected to be allocated to charter schools within the District in fiscal year 2018-19. Proceeds from the parcel tax may be used (i) to provide a districtwide educator salary increase designed to attract/retain teachers, (ii) to provide enhanced middle school art, music, languages/other programs in addition to core educational programs, (iii) to improve academic achievement and (iv) to provide safe, positive schools, and prepare students for college/careers.

District Budget Process and County Review

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

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

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

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

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

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

If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the

financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

A State law adopted in 1991 (known as “**A.B. 1200**”) (as amended by AB 1840) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the State Superintendent no later than June 1, financial statement projections of the school district’s fund and cash balances through June 30 for the period ending April 30.

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

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

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

Accounting Practices

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

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OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
Fiscal Years 2013-14 through 2017-18
General Fund Revenues, Expenditures and Fund Balances⁽¹⁾⁽²⁾

	2013-14 Audited	2014-15 Audited	2015-16 Audited	2016-17 Audited	2017-18 Audited
REVENUE					
LCFF Sources	\$266,369,764	\$296,107,658	\$339,083,640	\$355,820,735 ⁽⁷⁾	\$361,901,082
Federal Revenue	47,630,290	43,726,879	43,929,012	44,636,387	45,364,332
Other State Sources	53,628,476	57,701,799	80,879,959 ⁽⁴⁾	68,551,346 ⁽⁸⁾	67,537,787
Other Local Sources	41,991,114	46,466,301	59,830,477	69,672,303	82,649,655
Total Revenue:	<u>\$409,619,644</u>	<u>\$444,002,637</u>	<u>\$523,723,088</u>	<u>\$538,680,771</u>	<u>\$557,452,856</u>
EXPENDITURES					
Certificated Salaries	\$153,700,801	\$163,259,777	\$186,977,491 ⁽⁵⁾	\$201,644,455 ⁽⁵⁾	\$194,797,326
Classified Salaries	66,035,708	71,616,975	89,091,972 ⁽⁵⁾	99,365,020 ⁽⁵⁾	93,396,948
Employee Benefits	89,591,902	104,874,788	122,566,571 ⁽⁵⁾	133,822,986 ⁽⁵⁾	136,527,883
Books and Supplies	25,076,461	16,782,529	20,967,378	14,375,203	14,030,706
Services/Other Operating Expenditures	76,865,489	79,164,535	88,844,867	86,732,030	85,847,492
Other Outgo	1,438,383	(380,907)	1,250,430	2,836,110	1,529,816
Capital Outlay	710,171	662,328	997,926	2,912,076	1,125,173
Debt Service	8,424,233	5,980,139	5,978,699	5,972,611	5,963,945
Total Expenditures:	<u>\$419,443,148</u>	<u>\$441,960,164</u>	<u>\$516,675,334</u>	<u>\$547,660,491</u>	<u>\$533,219,289</u>
Excess (Deficiency) of Revenues Over Expenditures	\$(9,823,504)	\$2,042,473	\$7,047,754	\$(8,979,720)	\$24,233,567 ⁽⁹⁾
OTHER FINANCING SOURCES (USES)					
Transfers In ⁽³⁾	\$2,574,570	\$ 542,275	\$ 1,082,591 ⁽⁶⁾	\$ 6,506,215	\$ 207,817
Transfers Out ⁽³⁾	(2,488,770)	(806,946)	(3,097,178)	(5,157,909)	(1,722,460)
Net Financing Sources (Uses):	<u>\$ 85,800</u>	<u>\$(264,671)</u>	<u>\$(1,294,587)</u>	<u>\$1,348,306</u>	<u>\$(1,514,643)</u>
NET CHANGE IN FUND BALANCE					
	<u>\$(9,737,704)</u>	<u>\$1,777,802</u>	<u>\$5,753,167</u>	<u>\$(7,631,414)</u>	<u>\$22,718,924⁽⁹⁾</u>
Fund Balance – Beginning	\$37,102,295	\$27,364,591	\$29,142,393	\$34,895,560	\$27,264,146
Fund Balance – End	\$27,364,591	\$29,142,393	\$34,895,560	\$27,264,146	\$49,983,070

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

(2) Audited financials are presented for fiscal years 2013-14 through 2017-18.

(3) [District to provide explanation for transfers in and out in each fiscal year.]

(4) Increase in Other State Sources in fiscal year 2015-16 was primarily due to one-time revenues from the State.

(5) Increases in salaries and benefits in fiscal years 2015-16 and 2016-17 are due to collective bargaining resulting in salary increases.

(6) Includes one-time expenditure for self-insurance payment of moving costs.

(7) Increase in LCFF Sources for fiscal year 2016-17 is primarily due to higher enrollment and A.D.A. projections for fiscal year 2016-17.

(8) Decreases in Other State Sources for fiscal year 2016-17 are primarily due to less State one-time revenues in fiscal year 2016-17.

(9) Increase in revenues over expenditures and net change in fund balance for fiscal year 2017-18 was primarily due to increases in LCFF funding and parcel tax revenues. The decrease in expenditures in fiscal year 2017-18 is due to mid-year budget reductions.

Sources: Oakland Unified School District Annual Financial Report for the fiscal years ending June 30, 2014, 2015, 2016, 2017 and 2018.

The following table sets forth the budgeted revenues, expenditures and changes in fund balances for the District's general fund for the fiscal year 2018-19. Certain adjustments may be made throughout the year based on actual State funding and actual District revenues and tax collections. The District cannot make any predictions

regarding the disposition of additional pending budget legislation or its effect on the District. The District's budget is a planning tool, and does not represent a prediction as to the actual achievement of any budgeted revenues or fund balances.

OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
Budgeted General Fund Summary for Fiscal Years 2018-19 and 2019-20
and Estimated Actuals for Fiscal Year 2018-19⁽¹⁾

[Subject to Board approval of 2019-20 Budget]

	2018-19 Budgeted ⁽²⁾⁽³⁾	2018-19 Estimated Actuals ⁽³⁾⁽⁴⁾	2019-20 Budgeted ⁽⁴⁾
REVENUES			
LCFF/Revenue Limit Sources	\$384,427,659	\$377,593,903	\$387,868,765
Federal Revenue	51,011,468	52,189,378	42,815,057
Other State Revenue	71,609,599	71,807,746	58,453,532
Other Local Revenue	79,522,415	80,552,012	78,496,196
TOTAL	\$586,571,141	\$582,143,039	\$567,633,550
EXPENDITURES			
Certificated Salaries	\$197,567,847	\$197,152,286	\$205,002,586
Classified Salaries	94,556,847	94,592,614	87,407,482
Employee Benefits	149,843,878	148,594,957	156,039,794
Books and Supplies	42,229,856	38,798,928	32,302,078
Services/Other Operating Expenditures	96,280,914	99,747,701	75,171,896
Other Outgo - Transfers of Indirect Costs	(1,377,246)	(1,345,547)	(1,156,260)
Other Outgo (excluding Transfers of Indirect Costs)	18,611,496	15,274,546	12,247,281
Capital Outlay	7,576,781	8,086,695	127,474
TOTAL	\$605,290,373	\$600,902,180	\$567,142,331
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$(18,719,232)	\$(18,759,141)	\$491,219
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 564,067	\$ 564,067	\$ 564,067
Transfers Out	(1,790,000)	(1,790,000)	(1,790,000)
TOTAL OTHER FINANCING SOURCES (USES)	\$(1,225,933)	\$(1,225,933)	\$(1,225,933)
NET CHANGE IN FUND BALANCE	\$(19,945,165)	\$(19,985,074)	\$(734,714)
Fund Balance – Beginning	\$49,983,067	\$49,983,067	\$29,997,993
Fund Balance – Ending	\$30,037,902	\$29,997,993	\$29,263,279

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

⁽²⁾ Third interim budget of the District, approved as of May 22, 2019.

⁽³⁾ The variances between expenditures and ending fund balance in fiscal years 2017-18 and 2018-19 are due primarily to one-time spending of carryover funds from fiscal year 2017-18, significant spend down of the restricted fund balance, payment of audit adjustments, and accounting changes relating to parcel tax revenues and expenses.

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

Source: The District.

Audit Findings

The District is in the process of resolving findings from past audits. For fiscal year 2017-18, the District's general fund is subject to approximately \$6.7 million in audit adjustments. [Auditor to confirm.]

District Debt Structure

State of California Emergency Apportionment Loan. Prior to 2003, the County Superintendent appointed the Fiscal Crisis and Management Assistance Team ("FCMAT") as the financial advisor to the District. Upon review of the District's financial condition, FCMAT declared a fiscal emergency in the District and, in response to this declaration, the District requested an emergency apportionment loan. On May 30, 2003, the Governor approved SB 39, which provided an emergency apportionment loan to the District of up to \$100,000,000 as a floating line of credit to be drawn as the State Administrator and FCMAT jointly determined was needed to meet District obligations, including the District's operating costs. The District drew down \$65,000,000 in 2003 (the "**2003 Draw**") and drew down the remaining \$35,000,000 in 2007 (the "**2007 Draw**"). SB 39 requires the District to repay the loan over a 20-year term, commencing at the time of origination of the loan, with interest determined at a rate of 1.778%. The District began repayment of the Emergency Apportionment Loan in fiscal year 2003-04 using funds from the District's general fund.

Refunding of a Portion of the State Emergency Apportionment Loan. In December 2005, the Infrastructure Bank issued its State School Fund Apportionment Lease Revenue Bonds, Series 2005 (the "**2005 Emergency Apportionment Refunding Bonds**"). A portion of the proceeds of the 2005 Emergency Apportionment Refunding Bonds were used to repay to the State's general fund the then-outstanding amount of the 2003 Draw and convert the 2003 Draw into a lease-financing obligation of the District. The 2005 Emergency Apportionment Refunding Bonds were then refunded through the issuance of the Infrastructure Bank's State School Fund Apportionment Lease Revenue Refunding Bonds, Series 2008 in April 2008, in the amount of \$59,565,000 (the "**2008 Emergency Apportionment Refunding Bonds**"). The District is required to make rental payments to the Infrastructure Bank on identified property of the District. The District's rental payments secure and are used to pay the District's portion of the Infrastructure Bank's bonds. The District's obligation to make the rental payments is identical to the scheduled debt service payments on the refunded portion of the 2003 Draw. Payments are made directly by the State from funds intercepted from the State's monthly apportionments to the District. The net annual payment is \$3,890,534. The 2007 Draw has not been converted to a lease revenue bond and continues to be repaid directly to the State. The amount outstanding of the 2007 Draw is \$15,494,061 as of June 30, 2018 and the annual payment is \$2,094,903.

General Obligation Bonds. The District currently has 14 series of bonds outstanding, which are secured by *ad valorem* taxes upon all property subject to taxation by the District.

On November 8, 1994, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed \$169,730,000 (the "**1994 Measure C Authorization**"). All of the bonds from the 1994 Measure C Authorization have been issued.

On March 7, 2000, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed \$303,000,000 (the "**2000 Measure A Authorization**"). All of the bonds from the 2000 Measure A Authorization have been issued. The following table shows bonds associated with the 1994 Measure C Authorization and the 2000 Measure A Authorization outstanding as of June 30, 2019.

Series Name	Issue Date	Outstanding Principal Amount
2015 General Obligation Refunding Bonds	August 20, 2015	\$145,820,000
General Obligation Refunding Bonds, 2017 Series A	May 25, 2017	99,830,000
Total:		\$245,650,000

On June 6, 2006, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed \$435,000,000 (the “**2006 Measure B Authorization**”). The following table shows bonds issued under the 2006 Measure B Authorization and outstanding as of June 30, 2019:

Series Name	Issue Date	Initial Principal Amount
General Obligation Bonds (Election of 2006, Series 2006) ⁽¹⁾	November 28, 2006	\$130,000,000
General Obligation Bonds (Election of 2006, Series 2009A) ⁽²⁾	August 12, 2009	87,885,000
Taxable General Obligation Bonds (Election of 2006, Series 2009B) (Build America Bonds) ⁽³⁾	August 12, 2009	70,795,000
Taxable General Obligation Bonds (Election of 2006, Series 2009C) Qualified School Construction Bonds (Tax Credit Bonds)	August 12, 2009	26,320,000
General Obligation Bonds (Election of 2006, Series 2012A) ⁽⁴⁾	March 21, 2012	31,040,000
General Obligation Bonds (Election of 2006, Series 2012B) (Qualified School Construction Bonds)	March 21, 2012	23,960,000
General Obligation Bonds (Election of 2006, Series 2016A)	August 17, 2016	65,000,000
Total:		\$305,000,000

⁽¹⁾ The District’s 2016 General Obligation Refunding Bonds refunded, on a current basis, all of the District’s outstanding General Obligation Bonds (Election of 2006, Series 2006).

⁽²⁾ The District’s 2016 General Obligation Refunding Bonds refunded, on an advance basis, a portion of the District’s outstanding General Obligation Bonds (Election of 2006, Series 2009A).

⁽³⁾ The District’s General Obligation Crossover Refunding Bonds, (Measure B) 2017 Series D (Taxable) refunded, on an advance basis, a portion of the District’s outstanding Taxable General Obligation Bonds (Election of 2006, Series 2009B) (Build America Bonds).

⁽⁴⁾ The District’s General Obligation Refunding Bonds, (Measure B) 2017 Series B refunded, on an advance basis, a portion of the District’s outstanding General Obligation Bonds (Election of 2006, Series 2012A).

The following table shows bonds associated with the 2006 Measure B Authorization outstanding as of June 30, 2019.

Series Name	Issue Date	Outstanding Principal Amount
General Obligation Bonds (Election of 2006, Series 2009A)	August 12, 2009	\$ 3,275,000
Taxable General Obligation Bonds (Election of 2006, Series 2009B) (Build America Bonds)	August 12, 2009	0
Taxable General Obligation Bonds (Election of 2006, Series 2009C) Qualified School Construction Bonds (Tax Credit Bonds)	August 12, 2009	26,320,000
General Obligation Bonds (Election of 2006, Series 2012A)	March 21, 2012	3,680,000
General Obligation Bonds (Election of 2006, Series 2012B) (Qualified School Construction Bonds)	March 21, 2012	23,960,000
2016 General Obligation Refunding Bonds	August 17, 2016	152,775,000
General Obligation Bonds (Election of 2006, Series 2016A)	August 17, 2016	65,000,000
General Obligation Refunding Bonds, (Measure B) 2017 Series B	May 25, 2017	24,145,000
General Obligation Crossover Refunding Bonds, (Measure B) 2017 Series D (Taxable)	May 25, 2017	75,420,000
Total:		\$374,575,000

On November 6, 2012, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed \$475,000,000 (the “**2012 Measure J Authorization**”). The following table shows bonds issued under the 2012 Measure J Authorization and outstanding as of June 30, 2019. After the issuance of the Series 2019 Bonds, all bonds will have been issued under the 2012 Measure J Authorization and no authorization will remain.

Series Name	Issue Date	Initial Principal Amount
General Obligation Bonds (Election of 2012, Series 2013) ⁽¹⁾	September 4, 2013	\$120,000,000
General Obligation Bonds (Election of 2012), Series 2015A	August 20, 2015	173,500,000
General Obligation Bonds (Election of 2012), Series 2015B	August 20, 2015	6,500,000
Total:		\$300,000,000

⁽¹⁾ The District's General Obligation Refunding Bonds, (Measure J) 2017 Series C refunded, on an advance basis, a portion of the District's outstanding General Obligation Bonds (Election of 2012, Series 2013).

The following table shows bonds associated with the 2012 Measure J Authorization outstanding as of June 30, 2019.

Series Name	Issue Date	Outstanding Principal Amount
General Obligation Bonds (Election of 2012, Series 2013) ⁽¹⁾	September 4, 2013	\$ 6,275,000
General Obligation Bonds (Election of 2012), Series 2015A	August 20, 2015	169,165,000
General Obligation Refunding Bonds, (Measure J) 2017 Series C	May 25, 2017	82,695,000
Total:		\$258,135,000

The District may seek additional bond authorization at a future election.

Voter-approved bonds are payable from an *ad valorem* property tax authorized to be levied by the County as necessary to repay the amounts coming due in each year. The District's general fund is not pledged to repayment of these bonds. See "– Aggregate Debt Service Schedule" table below for the debt service requirements on all bonds outstanding, assuming no redemptions prior to maturity.

Tax and Revenue Anticipation Notes. Tax and revenue anticipation notes (TRANS) issued by the District are a general obligation of the District, payable from the general fund and any other lawfully available moneys. The District does not plan to issue TRANS in fiscal year 2018-19.

District Lease Income

Lease Revenues. Lease agreements have been entered with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30	Total
2019	\$ 574,746
2020	349,174
2021	363,766
2022	120,000
2023	120,000
Thereafter	1,470,000
Total	\$2,997,686

Source: The District's annual Financial Statements for fiscal year 2017-18.

The following table shows scheduled debt service obligations for all outstanding general obligation bonds of the District upon the issuance of the Series 2019 Bonds:

OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
General Obligation Bonds, Aggregate Debt Service Schedule

Bond Year	Election of 2006, Series 2009A	Election of 2006, Series 2009B⁽¹⁾⁽²⁾	Election of 2006, Series 2009C⁽²⁾⁽³⁾	Election of 2006, Series 2012A	Election of 2006, Series 2012B⁽¹⁾⁽²⁾⁽³⁾	Election of 2006, Series 2016A	2016 Refunding	Election of 2012, Series 2013⁽¹⁾
2019	\$3,479,688	\$4,517,535	\$2,622,224	\$ 819,000	\$1,721,932	\$2,501,450	\$ 9,658,750	\$2,981,875
2020	-	-	2,622,224	922,250	1,721,932	4,441,450	13,687,750	199,375
2021	-	-	2,622,224	1,123,750	1,721,932	4,403,850	14,335,250	274,375
2022	-	-	2,622,224	1,328,250	1,721,932	4,404,650	15,000,000	1,835,250
2023	-	-	2,622,224	-	1,721,932	4,407,250	15,768,750	2,015,050
2024	-	-	3,257,224	-	1,721,932	4,406,450	15,738,750	-
2025	-	-	-	-	1,721,932	4,407,250	20,012,000	-
2026	-	-	-	-	1,721,932	4,404,450	20,852,250	-
2027	-	-	-	-	1,721,932	4,403,050	21,499,250	-
2028	-	-	-	-	1,721,932	4,407,850	22,168,750	-
2029	-	-	-	-	1,721,932	4,407,350	22,881,000	-
2030	-	-	-	-	1,721,932	3,645,350	12,055,000	-
2031	-	-	-	-	1,721,932	4,274,600	12,148,500	-
2032	-	-	-	-	1,721,932	4,407,100	-	-
2033	-	-	-	-	-	4,407,100	-	-
2034	-	-	-	-	-	4,407,100	-	-
2035	-	-	-	-	-	4,406,900	-	-
2036	-	-	-	-	-	4,406,300	-	-
2037	-	-	-	-	-	4,405,100	-	-
2038	-	-	-	-	-	4,406,100	-	-
2039	-	-	-	-	-	4,403,650	-	-
2040	-	-	-	-	-	4,402,750	-	-
2041	-	-	-	-	-	4,403,250	-	-
Total	\$3,479,688	\$4,517,535	\$16,368,344	\$4,193,250	\$26,504,679	\$98,570,350	\$215,806,000	\$7,305,925

⁽¹⁾ Net of federal subsidies, as reduced.

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

⁽³⁾ Reflects Qualified School Construction Bonds sinking fund deposits by District rather than payments to bondholders.

Source: Isom Advisors, a Division of Urban Futures, Inc.

OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
General Obligation Bonds
Aggregate Debt Service Schedule (Continued)

Bond Year	Election of 2012, Series 2015A	2015 Refunding	Refunding Bonds, 2017 Series A	Refunding Bonds, (Measure B) 2017 Series B	Refunding Bonds, (Measure J) 2017 Series C⁽¹⁾	Crossover Refunding Bonds, (Measure B) 2017 Series D (Taxable)⁽¹⁾⁽²⁾
2019	\$ 8,458,250	\$16,356,000	\$17,226,500	\$1,216,800	\$4,377,300	-
2020	13,128,250	16,842,750	17,489,750	1,216,400	4,377,500	\$ 2,901,096
2021	13,134,750	17,147,500	18,154,250	1,216,000	4,374,750	2,901,096
2022	13,139,250	17,507,000	18,667,750	1,220,600	4,376,500	2,901,096
2023	13,146,250	18,501,500	17,814,500	2,680,000	4,377,500	2,901,096
2024	13,150,000	19,267,000	17,499,750	2,986,250	6,577,750	2,901,096
2025	13,160,000	21,756,000	13,371,750	2,923,500	6,757,250	2,901,096
2026	13,165,250	29,288,750	-	3,059,250	6,951,500	2,901,096
2027	13,175,250	8,925,000	-	3,128,500	7,149,000	3,806,096
2028	13,184,000	8,943,500	-	3,204,000	7,348,750	3,805,281
2029	13,190,750	9,022,750	-	3,275,000	7,554,750	3,802,042
2030	13,204,750	9,108,750	-	3,351,250	7,765,750	16,361,771
2031	13,209,750	-	-	3,427,000	7,985,500	16,312,593
2032	13,220,250	-	-	3,501,750	8,207,500	16,259,132
2033	13,235,000	-	-	-	8,435,500	16,205,157
2034	13,242,750	-	-	-	8,673,000	16,144,212
2035	13,257,750	-	-	-	8,908,250	-
2036	13,268,500	-	-	-	9,155,000	-
2037	13,284,000	-	-	-	9,406,250	-
2038	13,297,750	-	-	-	9,665,250	-
2039	13,313,500	-	-	-	-	-
2040	13,329,750	-	-	-	-	-
2041	-	-	-	-	-	-
Total	\$285,895,750	\$192,666,500	\$120,224,250	\$36,406,300	\$142,424,550	\$113,003,954

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

⁽²⁾ Excludes debt service to be paid from the Escrow Fund.

Source: Isom Advisors, a Division of Urban Futures, Inc.

OAKLAND UNIFIED SCHOOL DISTRICT
(County of Alameda, California)
General Obligation Bonds
Aggregate Debt Service Schedule (Continued)

Bond Year	Election of 2012, Series 2019A	Election of 2012, Series 2019B (Taxable)	Aggregate Debt Service Schedule
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
Total	_____	_____	_____

Source: Isom Advisors, a Division of Urban Futures, Inc.

Employees and Labor Relations

The District has budgeted for approximately 4,571.7 FTE employees, including 2,654.1 FTE certificated (teaching) employees, 1,420.7 FTE classified (non-teaching) employees and 496.9 management, supervisor and confidential employees for fiscal year 2018-19. For fiscal year 2017-18, the total certificated and classified payrolls for the general fund were approximately \$194.8 million and \$93.4 million, respectively. For fiscal year 2018-19, the total certificated and classified payrolls for the general fund are projected to be approximately \$197.6 million and \$94.6 million, respectively.

The District works with seven bargaining groups and unrepresented management/supervisory employees as follows:

Employee Group	Organization/Bargaining Unit	Number of FTE Employees	Contract Expiration ⁽¹⁾
Certificated	Oakland Education Association	2,402	June 30, 2021 ⁽²⁾
Classified	Service Employees International Union	788	June 30, 2021
Classified	American Federation of State, County and Municipal Employees	617	June 30, 2018
Classified	California School Employees Association	10	June 30, 2019
Classified	Building and Construction Trades Council	93	June 30, 2018
Classified	Teamsters	14	June 30, 2019
Supervisory	United Administrators of Oakland Schools	420	June 30, 2018

⁽¹⁾ Currently in negotiations.

⁽²⁾ The District reached a tentative agreement with the Oakland Education Association on March 1, 2019. Such agreement was adopted by the Board of Education on April 24, 2019.

Source: The District.

Negotiations Regarding Labor Contracts. Members of the Oakland Education Association (the “OEA”) conducted a seven-day strike from February 21, 2019, to March 1, 2019. OEA’s strike concluded when the District and OEA reached a tentative collective bargaining agreement on March 1, 2019, that was approved by the Board of Education on April 24, 2019 (the “**2019 Agreement**”). The 2019 Agreement provides for a one-time salary payment (bonus) equal to 3.0% of annual base salary as of December 31, 2018, and ongoing salary increases including a 3.0% wage increase for fiscal year 2018-19 effective January 1, 2019, and retroactive to the date of ratification of the 2019 Agreement, a 2.0% wage increase for fiscal year 2019-20 effective January 1, 2020, a 3.5% wage increase for fiscal year 2020-21 effective January 1, 2021, and a 2.5% wage increase for fiscal year 2020-21 effective June 30, 2021. The 2019 Agreement also requires the District to make every effort regarding staffing and resource allocation to achieve reasonably balanced caseloads and class sizes. As a result of the 2019 Agreement, the District projects a total ongoing increase in employee compensation costs of \$3.7 million in fiscal year 2018-19, \$15.3 million in fiscal year 2019-20, and \$17.6 million in fiscal year 2020-21. See also “RISK FACTORS – District Financial Considerations – Labor Agreements” and “– Healthcare Costs – HBGB.”

The 2019 Agreement does not provide for the extension of similar benefits to employees represented by other bargaining units, and negotiations with the other bargaining units have not concluded. However, the District currently intends to extend similar salary increases to employees in other bargaining units during the 2019-20 and 2020-21 school years. It is anticipated that any salary increases will be coupled with corresponding budget cuts, as needed, to maintain the District’s reserves at State and District-mandated levels, as applicable. If additional increases are negotiated with other bargaining units effective with the 2021-22 school year, it is currently anticipated that budget adjustments will be necessary in fiscal years 2020-21 and 2021-22, amounting in the aggregate to approximately \$18 million. [District to provide additional disclosure on terms of bargaining agreement with classified employees.]

Retirement Benefits

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 8.0% 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 2.0% 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 part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implemented a new funding strategy for CalSTRS and increased the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. AB 1469 increased member contributions, which were previously set at 8.0% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. The State’s total contribution also increased from approximately 3.0% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

On February 1, 2017, the State Teachers’ Retirement Board voted to adopt revised actuarial assumptions reflecting members’ increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.0% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.0% to a 2.75% price inflation factor.

As of June 30, 2017, an actuarial valuation (the “**2017 CalSTRS Actuarial Valuation**”) for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$107.3 billion, an increase of approximately \$10.6 billion from the June 30, 2016 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2017, June 30, 2016 and June 30, 2015, based on the actuarial assumptions, were approximately 63.9%, 63.7% and 68.5%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The following are certain of the actuarial assumptions set forth in the 2017 CalSTRS Actuarial Valuation: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2017 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See “– *California Public Employees’ Pension Reform Act of 2013*” below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, school districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The actuarial valuation as of June 30, 2016 stated that the aggregate contribution rate as of June 30, 2017, inclusive of an equivalent rate contribution of 10.219% from members, 8.000% from employers relating to the base rate, 0.250% from employers based on the sick leave rate, 10.096% from employers based on the supplemental rate, 1.881% from the State based on the base rate and 4.021% from the State based on the supplemental rate is equivalent to 34.467%.

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

Effective Date (July 1)	School District Contribution Rate
2018	16.28%
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The District's total general fund employer contributions to CalSTRS for fiscal years 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 were \$12,402,057, \$12,749,778, \$14,342,738, \$19,986,974, \$25,568,915 and \$27,776,318 respectively, and were equal to 100% of the required contributions for each year. The District projects employer contributions from its general fund to CalSTRS for fiscal year 2018-19 of approximately \$31,571,026. 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 increase in 2018-19 is due to the accounting treatment of the state contribution, which is recorded as a pass-through in the District's financials.

With the implementation of AB1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

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

CalPERS. The District also participates in CalPERS for all full-time and some part-time classified employees. All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. The school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS will not significantly increase in the future above current levels.

School districts are currently required to contribute to CalPERS at an actuarially determined rate, which was 11.847%, 13.888% and 15.531% of eligible salary expenditures for fiscal years 2015-16, 2016-17, and 2017-18, respectively, and 18.062% of eligible salary expenditures for fiscal year 2018-19. Plan participants enrolled in CalPERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which was 6% of their respective salaries in fiscal years 2015-16 and 2016-17, 6.50% in fiscal year 2017-18 and 7.00% in fiscal year 2018-19.

On April 17, 2013, the CalPERS board of administration (the "PERS Board") approved new actuarial policies aimed at returning CalPERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses and a five-year ramp-up of rates at the start and a five year ramp-down of rates at the end. The CalPERS Board delayed the implementation of the new policies until fiscal year 2015-16 for the State, schools and all other public agencies. In December 2016, the CalPERS Board voted to lower the discount rate from 7.5% to 7.375% for fiscal year 2017-18, 7.25% for fiscal year 2018-19 and 7.0% beginning in fiscal year 2019-20. The new discount rate for the State went into effect beginning July 1, 2017 and the new discount rate for school districts became effective July 1, 2018. With regards to districts that contract with CalPERS to administer their pension plans, the change in the assumed rate of return is expected to result in increases in such districts' normal costs and unfunded actuarial liabilities.

Also, on February 20, 2014, the CalPERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the CalPERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and

firefighters. The cost of the revised assumptions shall be amortized over a 20-year period and related increases in public agency contribution rates shall be affected over a three-year period, beginning in fiscal year 2014-15. The new demographic assumptions affect the State, school districts and all other public agencies.

The CalPERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the CalPERS Board approved new actuarial assumptions, including (i) lowering the inflation assumption rate from 2.75% to 2.625% for the June 30, 2018, actuarial valuation and to 2.50% for the June 30, 2019, actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018, actuarial valuation and 2.75% for the June 30, 2019, actuarial valuation, (iii) and certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the mortality, retirement, and disability retirement rates.

On February 14, 2018, the CalPERS Board approved modifying the CalPERS amortization policy for investment gains/losses from 30 years to 20 years, requiring that the amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, and eliminating the five-year ramp-up/ramp-down policy for all gains/losses except for the ramp-up policy for investment gains/losses. Such policy changes will be reflected in actuarial valuations beginning June 30, 2019, and will be implemented starting with fiscal year 2021-22 contributions. Such policy applies only to prospective accumulation of amortization and will not affect current accrued unfunded liabilities, with the exception that, with regards to the CalPERS Schools Pool Actuarial Valuation, the impact of the discount rate change from 7.25% to 7.00% in the June 30, 2019, valuation will be amortized under the old policy. Shortening the amortization period will increase employer contributions and help pay down the pension fund's unfunded liability faster, which may result in interest cost savings.

On April 18, 2018, the CalPERS Board established the employer contribution rates for fiscal year 2018-19 and released certain information from the CalPERS Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution for fiscal year 2019-20 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for fiscal year 2025-26.

The District's total general fund employer contributions to CalPERS for fiscal years 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 were \$7,412,661, \$8,042,397, \$8,975,785, \$10,461,331, \$13,731,155 and \$14,728,715 respectively, and were equal to 100% of the required contributions for each year. The District projects employer contributions from its general fund to CalPERS for fiscal year 2018-19 of approximately \$17,852,108. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "*California Public Employees' Pension Reform Act of 2013*" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

The District's total employer contributions to CalPERS for fiscal years 2012-13 through 2017-18 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "*California Public Employees' Pension Reform Act of 2013*" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

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

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "**Reform Act**" or "**PEPRA**") into law on September 12, 2012. The Reform Act affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the "**Implementation Date**"). As it pertains to CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age, increasing the eligibility for the 2.0% "age factor" (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2.0% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

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

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

HBGB. The Health Benefits Governing Board ("**HBGB**") was established in 2015 in order to contain District healthcare costs and is governed by the Health and Welfare Agreement (the "**HBGB Agreement**"), negotiated and signed as a tentative agreement among the HBGB members in May 2015 and approved by the Board of Education in October 2015 with an effective date of July 1, 2015. For further information, see "RISK FACTORS – District Financial Risks – *Healthcare Costs – HBGB.*"

Other Post-Employment Benefits (OPEBs). The District does not have any post-employment benefit obligations.

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("**Statement Number 67**"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("**Statement Number 68**"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements changed how governments calculated and reported the costs and obligations associated with pensions. Statement Number 67 replaced the requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 68 replaced the requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replaced the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes included: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15.

Risk Management

Property and Liability. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year, the District contracted with Northern California ReLiEF for property and liability insurance coverage. Northern California ReLiEF liability and property insurance coverage maintains a self-insurance retention of \$250,000 per occurrence, with \$10,000,000 and \$250,250,000 limits of excess coverage, respectively, purchased from various insurance carriers. The District pays an annual contribution of \$2,000,000 to Northern California ReLiEF for its excess property and liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage to date.

Workers' Compensation. The District is permissibly self-insured for workers' compensation, and maintains a \$1,000,000 per occurrence self-insurance retention. Above that level, the District purchases excess insurance to the statutory maximums for an annual combined premium of \$600,000. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

For more information regarding the District's risk management, see Note 10 to the District's financial statements attached hereto as APPENDIX C – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Participation in Joint Powers Authorities and Other Related Party Transactions

Chabot Space & Science Center Joint Powers Authority. The District participates in the Chabot Space & Science Center Joint Powers Authority (the "**Chabot JPA**"). The Chabot JPA was established to provide quality science education to members of the community. During the fiscal year ended June 30, 2018, the District made no payments to the Chabot JPA. Chabot JPA has an outstanding loan balance owed to the District, which is reduced in part by an offset for facility rental by the District. Chabot JPA's remaining balance owed to the District is \$6.0 million.

Youth Ventures Joint Powers Authority. The District also participates in the Youth Ventures Joint Powers Authority ("**Youth Ventures**"), a joint powers authority established to promote the education, health, well-being and economic viability of children, youth and families within the County. During the fiscal year ended June 30, 2018, the District allowed Youth Ventures to use buildings and classroom space for operation of after school programs in lieu of cash payments.

Northern California Regional Liability Excess Fund. The District is a member of the Northern California Regional Liability Excess Fund ("**NCR**"). NCR is a non-profit member-owned and operated Joint Powers Authority providing risk management services to California public schools.

For more information regarding the District's participation in joint powers authorities and other related party transactions, see Note 13 to the District's financial statements attached hereto as APPENDIX C – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the Education Code (the "**Charter School Law**"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability and (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. Independent charter schools receive their funding directly from the State and are not

included in a school district’s financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would be included in the school district’s financial reports and audited financial statements.

There are currently thirty-four independent charter schools operating under charter from the District serving grades K through 12, with a combined enrollment of approximately 12,869 in fiscal year 2017-18 and a projected enrollment of approximately 13,678 in fiscal year 2018-19. There were no dependent charter schools in the District in fiscal years 2017-18 and 2018-19. In addition, there are nine charters granted by the ACOE.

Charter schools receive revenues from the State for each student enrolled, and thus may cause a reduction in revenues available for students enrolled in District schools for those students who would otherwise be in District schools. However, certain per-pupil expenditures of the District also decrease based upon the number of students enrolled in charter schools. The District is required to accommodate charter school students originating in the District in facilities comparable to those provided to regular District students.

The following table shows total charter school enrollment for District granted charters for fiscal years 2011-12 through 2017-18 and projected charter school enrollment for fiscal year 2018-19:

Fiscal Year	Number of Dependent Charter Schools	Number of Independent Charter Schools	Total Charter School Enrollment
2011-12	4	26	8,766
2012-13	2	31	9,952
2013-14	2	30	10,184
2014-15	0	32	10,849
2015-16	0	37	11,855
2016-17	0	37	12,946
2017-18	0	35	12,869
2018-19 ⁽¹⁾	0	34	13,678

⁽¹⁾ Projected number of charter schools and enrollment for fiscal year 2018-19.
Source: The District.

The District can make no representation as to whether enrollment at such charter schools may increase at the expense of District enrollment in future years, whether additional charter schools will be established within the territory of the District, or as to the impact these or other charter school developments may have on the District’s A.D.A. or finances in future years.

Recent Legislative Developments. A legislative package, consisting of several bills (the “**Proposed Charter School Law**”), are being considered by the State legislature that aim to slow the growth of charter schools. The Proposed Charter School Law would give school districts increased leverage to deny applications for new charter schools by: (i) providing school districts additional discretion when authorizing charter schools to consider “saturation,” including the number and enrollment in proposed charter schools, academic outcomes and offerings and a statement of need for the school; and (ii) granting school boards an additional month to review and respond to charter school applications. The Proposed Charter School Law would also reimburse school districts for one year for the loss of State tuition payments for students transferring to charter schools, and cap the number of charter schools Statewide. The District cannot predict the impact such legislation would have on its operations and finances.

**CONSTITUTIONAL AND STATUTORY PROVISIONS
AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

Limitations on Revenues

On June 6, 1978, State voters approved Proposition 13 (“**Proposition 13**”), which added Article XIII A to the State Constitution (“**Article XIII A**”). Article XIII A limits the amount of any *ad valorem* tax on real property to 1%

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

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

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

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

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

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

Article XIII B of the State Constitution

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

In fiscal year 2017-18, the District had an appropriations limit of \$384,995,765 and appropriations subject to such limit of \$384,995,765. The District has budgeted an appropriations limit in fiscal year 2018-19 of \$399,125,110. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIII C and Article XIII D of the State Constitution

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

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

The District imposes parcel taxes which are subject to the provisions of Proposition 218. On February 5, 2008, voters within the District approved Measure G by a two-thirds vote, establishing an annual tax of \$195 per parcel within the District, with no expiration date. On November 4, 2014, voters within the District approved Measure N by a two-thirds vote, establishing an annual tax of \$120 per parcel within the District for each year between July 1, 2015 and June 30, 2025. On November 8, 2016, voters within the District approved Measure G1 by a two-thirds vote, establishing an annual tax of \$120 per parcel within the District for each year between July 1, 2017 and June 30, 2029. The District also receives a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

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

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). The

Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (collectively, "**K-14 districts**") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

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

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

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

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

Proposition 30 and Proposition 55

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years from January 1, 2012 through the end of 2018, and (b) increased the sales and use tax by one-quarter percent for a

period of four years from January 1, 2013 through the end of 2016. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see “– Proposition 98 and Proposition 111” above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the “**Education Protection Account**”), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

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

Applications of Constitutional and Statutory Provisions

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

Proposition 2

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

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year’s deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year’s deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multi-year budget forecast; and (vi) create a Proposition 98 reserve (the “**Public School System Stabilization Account**”) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. SB 858 became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the State Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the State Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

SB 751. SB 751, enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total general fund revenues appropriated for school

districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Series 2019 Bonds as and when due.

Future Initiatives

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

APPENDIX C

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

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[To come]

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Oakland Unified School District (the “District”) in connection with the issuance of: \$_____ aggregate principal amount of Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2019A and \$_____ aggregate principal amount of Oakland Unified School District General Obligation Bonds (Election of 2012), Series 2019B (Federally Taxable) (collectively, the “Bonds”). The Bonds are being issued as authorized by a resolution adopted by the Board of Education of the District on April 24, 2019 and June 26, 2019 (collectively, the “Resolution”) and in accordance with the terms of a Paying Agent Agreement, dated as of [July] 1, 2019 (the “Paying Agent Agreement”), and by and between the District and U.S. Bank National Association, as paying agent (the “Paying Agent”), and acknowledged by the County of Alameda.

The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

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

“Dissemination Agent” shall mean Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

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

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

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

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

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

“Participating Underwriter” shall mean the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

SECTION 3. Provision of Annual Reports.

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

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent and the Paying Agent (if the Paying Agent is not the Dissemination Agent). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District and the Paying Agent to determine if the District is in compliance with the first sentence of this subsection (b). If the Paying Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Paying Agent shall send a notice, in electronic format, to the MSRB, such notice to be in substantially the form attached as Exhibit A.

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

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

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following for the preceding fiscal year (except as noted otherwise):

- (1) Adopted budget of the District for the current fiscal year, or a summary thereof, and any interim budget reports approved as of the date of filing of the Annual Report
- (2) General fund revenues, expenditures and a fund balance table;
- (3) District average daily attendance;
- (4) District outstanding debt (including amortization schedules);
- (5) Information regarding total assessed value of taxable properties within the District;

(6) Information regarding the [ten] largest property owners based on assessed valuation within the District;

(7) Information regarding total secured tax charges, collections and delinquencies on taxable properties within the District;

(8) CalSTRS and CalPERS contributions; and

(9) If and to the extent provided to the District by the County by no later than five business days prior to the Annual Report due date, information regarding total assessed valuation and parcels by land use and assessed valuation of single family homes. If the information is provided at a date later than the Annual Report due date, then the District shall promptly file such information following its receipt via a supplement to the Annual Report.

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

SECTION 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) business days after the occurrence of the event:

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

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

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

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) business days after the occurrence of the event:

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

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

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

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Section 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Paying Agent Agreement.

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

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination

occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such 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 Isom Advisors, a Division of Urban Futures, Inc.

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

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

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

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

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

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

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

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

Date: _____, 2019

OAKLAND UNIFIED SCHOOL DISTRICT

By _____
Superintendent

EXHIBIT A

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

Name of District: OAKLAND UNIFIED SCHOOL DISTRICT

Name of Bond Issue: OAKLAND UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2012),
SERIES 2019A

OAKLAND UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS
(ELECTION OF 2012), SERIES 2019B (FEDERALLY TAXABLE)

Date of Issuance: _____, 2019

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

Dated: _____

OAKLAND UNIFIED SCHOOL DISTRICT

By _____ [to be signed only if filed]

APPENDIX F

**COUNTY OF ALAMEDA
ANNUAL INVESTMENT POLICY AND INVESTMENT REPORT**

The following information has been furnished by the Office of the Treasurer-Tax Collector, County of Alameda. 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-Tax Collector 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, 1221 Oak Street, Room 131, Oakland, CA 94612.

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this appendix 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 the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2019 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2019 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2019 Bonds (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 maturity of the Securities, 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 and www.dtc.org.

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 the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the 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 the District or the Paying 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, the Paying Agent or the District, 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 the District or the Paying 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 the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The District 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 APPENDIX G concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY