

NEW ISSUE – BOOK ENTRY ONLY

**RATING: S&P: “A+”
(See “RATING” herein.)**

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. Bond Counsel observes, however, that interest on the Bonds will be included in calculating a corporation’s adjusted current earnings for purposes of calculating alternative minimum taxable income for taxable years beginning prior to January 1, 2018. See “TAX MATTERS” herein.

\$ _____^{*}
CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
(Sonoma County, California)
GENERAL OBLIGATION BONDS
2014 ELECTION, 2018 SERIES C

\$ _____^{*}
CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
(Sonoma County, California)
GENERAL OBLIGATION BONDS
2014 ELECTION, 2018 SERIES D

Dated: Date of Delivery

Due: August 1, as shown below

The City of Santa Rosa High School District General Obligation Bonds, 2014 Election, 2018 Series C (the “Series C Bonds”) and the City of Santa Rosa High School District General Obligation Bonds, 2014 Election, 2018 Series D (the “Series D Bonds” and together with the Series C Bonds, the “Bonds”) are being issued to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith, as more fully described herein under the caption “THE PROJECTS.” The District intends to apply the proceeds of the Series C Bonds to finance construction and modernization of District facilities. The District intends to apply the proceeds of the Series D Bonds to finance technology upgrades for the District. See “THE PROJECTS” herein. The Bonds were authorized at an election within the District held on November 4, 2014 (the “Election”) at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of \$175,000,000 aggregate principal amount of general obligation bonds of the District (the “Authorization”). The Bonds are the third and fourth series of bonds issued pursuant to the Authorization and are issued on a parity basis with all other general obligation bonds of the District.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2018. See “THE BONDS” herein.

The Bonds will be issued in book-entry form only, in denominations of \$5,000 principal amount or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry Only System.”

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption” herein.

The Bonds are general obligations of the District only and are not obligations of the County of Sonoma (the “County”), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal and premium, if any, and interest on each Bond as the same becomes due and payable.

MATURITY SCHEDULE
On Inside Cover

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriters subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the issue. Certain matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about _____, 2018.

RBC CAPITAL MARKETS LOGO

RAYMOND JAMES LOGO

The Date of this Official Statement is: _____, 2018

^{*} Preliminary; subject to change.

MATURITY SCHEDULE

\$ _____

**City of Santa Rosa High School District
(Sonoma County, California)
General Obligation Bonds, 2014 Election, 2018 Series C**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹ (802615)</u>
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\$ _____

**City of Santa Rosa High School District
(Sonoma County, California)
General Obligation Bonds, 2014 Election, 2018 Series D**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹ (802615)</u>
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¹ Copyright 2018, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriters take any responsibility for the accuracy of such CUSIP number.

No dealer, broker, salesperson or other person has been authorized by the City of Santa Rosa High School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell, the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

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. Although certain information set forth in this Official Statement has been provided by the County of Sonoma, the County of Sonoma has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth in "APPENDIX E - "SONOMA COUNTY STATEMENT OF INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT."

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 responsibilities 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."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Santa Rosa City Schools maintains a website. However, the information presented on the website is not a part of this Official Statement, is not incorporated herein by reference, and should not be relied upon in making an investment decision with respect to the Bonds.

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
Sonoma County, State of California

Board of Education

Jenni Klose, *President*
Bill Carle, *Vice-President*
Laurie Fong, *Clerk*
Evelyn Anderson, *Director*
Ron Kristof, *Director*
Frank Pugh, *Director*
Ed Sheffield, *Director*

District Administrators

Diann Kitamura, *Superintendent*
Rick Edson, *Assistant Superintendent, Business Services*
Anna-Maria Guzman, Ed.D., *Assistant Superintendent, Curriculum and Instruction*
Jason Lea, *Assistant Superintendent, Human Resources*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Financial Advisor

Isom Advisors, a Division of Urban Futures Incorporated
Walnut Creek, California

Paying Agent, Transfer Agent and Registration Agent

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

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CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
(Sonoma County, California)
GENERAL OBLIGATION BONDS
2014 ELECTION, 2018 SERIES C

\$ _____ *

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
(Sonoma County, California)
GENERAL OBLIGATION BONDS
2014 ELECTION, 2018 SERIES D

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, inside 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 Bonds to potential investors is made only by means of the entire Official Statement.

The City of Santa Rosa High School District (the “District”) proposes to have the Board of Supervisors (the “County Board”) of the County of Sonoma (the “County”) issue in the name and on behalf of the District \$ _____ * aggregate principal amount of its General Obligation Bonds, 2014 Election, 2018 Series C (the “Series C Bonds”) and \$ _____ * aggregate principal amount of its General Obligation Bonds, 2014 Election, 2018 Series D (the “Series D Bonds” and, together with the Series C Bonds, the “Bonds”) under and pursuant to a bond authorization (the “Authorization”) for the issuance and sale of not more than \$175,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at a general election held on November 4, 2014 (the “Election”). Subsequent to the issuance of the Bonds, \$ _____ * aggregate principal amount of general obligation bonds will remain for issuance pursuant to the Authorization.

Proceeds from the sale of the Bonds will be used to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith. See “THE PROJECTS” herein.

Registration

The Bank of New York Mellon Trust Company, N.A. will act as the initial registrar, transfer agent and paying agent for the Bonds (the “Paying Agent”). As long as The Depository Trust Company, New York, New York (“DTC”) is the registered Owner of the Bonds and DTC’s book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC. See “THE BONDS – Description of the Bonds” herein.

The District

The District, together with the City of Santa Rosa Elementary School District (the “Elementary District”), operates as Santa Rosa City Schools. Pursuant to Section 35110 *et seq.* of the Education Code of the State of California (the “State”), on April 26, 1983, the Board of Education of the District (the “Board”) adopted Resolution No. H-578 which deemed the District and the Elementary District to be a single school district for all purposes, including, but not limited to, budget and personnel matters, and the governing board of the District and the governing board of the Elementary District, together, to be the governing board of a single school district. Each of the District and the Elementary District, however, continue to hold title to property in their own name and any indebtedness for such property also remains the indebtedness of each separate district. The District and the Elementary District incur bonded indebtedness as separate school districts.

* Preliminary; subject to change.

The District is located in the northern San Francisco Bay Area in the County approximately 50 miles north of San Francisco and 85 miles northwest of Sacramento and consists primarily of the City of Santa Rosa and unincorporated portions of the County. The District provides seventh and eighth grade education services in six middle schools and ninth through twelfth grade education services in five high schools. In addition, the District operates two continuation schools. Students from the Elementary District, as well as eight distinct elementary districts, feed students into the District. The budgeted average daily attendance (“ADA”) for Santa Rosa City Schools for fiscal year 2017-18 is 14,098 students, and the District has a 2017-18 total assessed valuation of \$31,410,289,812. The audited financial statements for Santa Rosa City Schools for the fiscal year ended June 30, 2017 are attached hereto as APPENDIX C. For further information concerning the District, see the caption “CITY OF SANTA ROSA HIGH SCHOOL DISTRICT” herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. See “SECURITY FOR THE BONDS” and “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the County Board in the name and on behalf of the District under certain provisions of the Government Code of the State, applicable provisions of the Education Code of the State and pursuant to a resolution adopted by the Board and the County Board. See “THE BONDS - Authority for Issuance” herein.

Redemption

The Bonds are subject to redemption prior to their scheduled maturity as described herein. See “THE BONDS – Redemption” herein.

Tax Matters

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. Bond Counsel observes, however, that interest on the Bonds will be included in calculating a corporation’s adjusted current earnings for purposes of calculating alternative minimum taxable income for taxable years beginning prior to January 1, 2018. See “TAX MATTERS” herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See “THE

BONDS – Continuing Disclosure Agreement,” “CONTINUING DISCLOSURE” and “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about ____, 2018

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the County Board in the name and on behalf of the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the Government Code of the State of California (the “Government Code”) (commencing with Section 53506), applicable provisions of the Education Code of the State and pursuant to a resolution of the Board adopted on ____, 2018 (the “Resolution”) and a Resolution of the County Board adopted on ____, 2018 (the “Bond Resolution”).

Purpose of Issue

The net proceeds of the Bonds will be used to finance certain capital improvements for the District as specified in the District bond proposition submitted at the Election, which includes improving high school educational quality and student safety by upgrading classrooms and science labs, replacing deteriorating and outdated plumbing, heating, ventilation and air-conditioning systems, providing updated 21st century classroom technology, and acquiring, renovating or constructing classrooms, equipment, sites and facilities. See “THE PROJECTS” herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of \$5,000 principal amount or integral multiples thereof.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by The Bank of New York Mellon Trust Company, N.A., to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “APPENDIX F – BOOK-ENTRY ONLY SYSTEM” herein.

Payment of the Bonds

Interest on the Bonds is payable commencing August 1, 2018, and semiannually thereafter on February 1 and August 1 of each year (each, an “Interest Payment Date”) through maturity.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the "Record Date"). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered during the period from the 16th day of the month immediately preceding any Interest Payment Date to that Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is registered prior to the close of business on July 15, 2018, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption*

The Series C Bonds.

Optional Redemption. The Series C Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Series C Bonds maturing on August 1, 20__, may be redeemed before maturity at the option of the District, from any source of available funds, on any date on or after August 1, 20__ at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Redemption. The Series C Bonds maturing August 1, 20__ are subject to mandatory sinking fund redemption on August 1 of each Mandatory Sinking Fund Payment Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
<hr/>	<hr/>

In the event that a portion of the Series C Bonds maturing on August 1, 20__ is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount of such Series C Bonds optionally redeemed.

* Preliminary; subject to change.

The Series D Bonds. The Series D Bonds are not subject to redemption prior to their stated maturity dates.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall give notice of the redemption of the Bonds at least 30 but not more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid. Such redemption notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount, as appropriate, of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such redemption notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date in the case of Bonds, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

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

Effect of Notice of Redemption

Notice having been given as required in the Bond Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside for payment of the redemption price, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on

such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance

If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash, which is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Bond Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Bond Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Bond Resolution.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book entry system, see APPENDIX F hereto.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Owners and Beneficial Owners of the

Bonds, to provide certain information as set forth therein. See “CONTINUING DISCLOSURE” and “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

SOURCES AND USES OF FUNDS

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

<i>Sources of Funds</i>	<u>Series C Bonds</u>	<u>Series D Bonds</u>	<u>Total</u>
-------------------------	-----------------------	-----------------------	--------------

Principal Amount of Bonds			
---------------------------	--	--	--

Original Issue Premium			
------------------------	--	--	--

Total Sources			
---------------	--	--	--

Uses of Funds

Deposit to Building Fund			
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Costs of Issuance ⁽¹⁾			
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Total Uses			
------------	--	--	--

⁽¹⁾ Payment of Underwriters’ discount, Bond and Disclosure Counsel fees, financial advisory fees, rating agency fees, and other costs of issuance.

DEBT SERVICE SCHEDULE

The first of the following two tables summarizes the principal and interest payments on the Bonds. The second table shows the annual debt service payments on all of the District's outstanding general obligation bonds, comprising the 2011 General Obligation Refunding Bonds (the "2011 Refunding Bonds"), the 2013 General Obligation Refunding Bonds (the "2013 Refunding Bonds"), the 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds"), the 2017 General Obligation Refunding Bonds (the "2017 Refunding Bonds"), the General Obligation Bonds, 2014 Election, 2016 Series A (the "Series A Bonds"), the General Obligation Bonds, 2014 Election, 2016 Series B Bonds (the "Series B Bonds") and the Bonds:

DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Series C Bonds		Series D Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	

Total

DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

Period Ending August 1	2011 Refunding Bonds	2013 Refunding Bonds	2015 Refunding Bonds ⁽¹⁾	2017 Refunding Bonds	The Series A Bonds	The Series B Bonds	The Series C Bonds	The Series D Bonds	Total Debt Service
2018	\$1,310,000	\$5,332,050	\$5,482,250	\$1,067,658	\$2,121,600	\$8,714,125			\$24,027,683
2019	1,303,400	4,313,450	5,482,250	1,070,000	--	3,632,525			15,801,625
2020	1,305,200	2,603,450	5,496,750	1,067,400	--	2,023,525			12,496,325
2021	--	2,595,750	3,748,500	2,264,800	--	2,080,925			10,689,975
2022	--	2,588,500	--	2,266,600	--	2,141,675			6,996,775
2023	--	836,250	--	4,016,200	--	2,203,425			7,055,875
2024	--	831,000	--	4,013,600	--	2,265,925			7,110,525
2025	--	834,500	--	4,011,000	--	2,333,925			7,179,425
2026	--	831,250	--	3,998,750	--	2,401,925			7,231,925
2027	--	831,500	--	2,293,500	--	2,469,675			5,594,675
2028	--	830,000	--	2,299,500	--	2,541,925			5,671,425
2029	--	286,750	--	--	--	2,618,175			2,904,925
2030	--	288,750	--	--	--	2,692,925			2,981,675
2031	--	--	--	--	--	2,770,925			2,770,925
2032	--	--	--	--	--	2,854,100			2,854,100
2033	--	--	--	--	--	2,935,525			2,935,525
2034	--	--	--	--	--	3,019,975			3,019,975
2035	--	--	--	--	--	3,107,000			3,107,000
2036	--	--	--	--	--	3,200,500			3,200,500
2037	--	--	--	--	--	3,294,000			3,294,000
2038	--	--	--	--	--	3,392,000			3,392,000
2039	--	--	--	--	--	3,488,750			3,488,750
2040	--	--	--	--	--	3,593,750			3,593,750
2041	--	--	--	--	--	<u>3,696,000</u>			<u>3,696,000</u>
Total	\$3,918,600	\$23,003,200	\$20,209,750	\$28,369,008	\$2,121,600	\$73,473,200			\$151,095,358

⁽¹⁾ Bond year ends May 1 for the 2015 Refunding Bonds.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County of Sonoma has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. See “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

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. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county 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 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.

Restrictions on Use of *Ad Valorem* Taxes and Statutory Lien on Debt Service – Senate Bill 222

Under State law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

Pursuant to Section 53515 of the State Government Code, effective January 1, 2016 and added by California Senate Bill 222 (2015) (“SB 222”), the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act. See “LEGAL MATTERS – California Senate Bill 222” herein.

Pledge of Tax Revenues

Under the Resolution, the District has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax which the County levies and receives and all interest earnings thereon (the “Pledged Moneys”). The Pledged Moneys shall be used to pay the principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable.

The Bonds are the general obligations of the District and do not constitute an obligation of the County except as provided in the Bond Resolution. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District are pledged to payment of the Bonds.

THE PROJECTS

The District intends to apply the net proceeds of the Bonds to finance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond proposition approved at the Election which includes the ballot measure and a project list.

The “Smaller Classes, Safer Schools, and Financial Accountability Act,” a Constitutional amendment known as Proposition 39, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Bonds, which was then submitted to the voters at the Election (the “Project List”). The District will prioritize and may not undertake to complete all components of the Project List.

TAX BASE FOR REPAYMENT OF THE BONDS

***Ad Valorem* Property Taxation**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a “floating lien date”). For assessment and collection purposes, 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 property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities within the County receives a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty

attaches to any delinquent payment plus any additional amount determined by the Treasurer. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on July 1. Those properties on the secured roll that become tax-defaulted on July 1 that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption fees and a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one-half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

The State Constitution currently requires a credit of \$7,000 of the taxable value of an owner-occupied dwelling for which application has been made to a county Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. Current law also provides, upon application, a basis exemption of \$100,000 increased by inflation for veterans with specified disabilities or for unmarried spouses of deceased veterans. The exemption may be raised to \$150,000 if the applicant meets the income limit of \$40,000.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table presents the historical assessed valuation in the District for the last eighteen fiscal years including the annual percent change. The District's total assessed valuation is \$31,410,289,812 in fiscal year 2017-18. As a result of the destruction of property caused by recent wildfires in Sonoma County, the District expects total assessed values to decline by approximately 5% in fiscal year 2018-19. See “-Natural Disasters Impacting Assessed Valuations” below.

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2000-01 Through 2017-18

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2000-01	\$13,026,300,233	\$1,744,837	\$ 712,741,474	\$13,740,786,544	
2001-02	14,669,438,470	6,102,797	762,593,573	15,438,134,840	12.35%
2002-03	15,962,032,834	5,812,648	877,005,557	16,844,851,039	9.11
2003-04	17,463,513,005	3,167,358	974,416,352	18,441,096,715	9.48
2004-05	18,864,084,500	3,167,358	895,259,643	19,762,511,501	7.17
2005-06	20,739,492,277	3,523,167	874,988,326	21,618,003,770	9.39
2006-07	23,152,708,782	3,523,167	948,245,185	24,104,477,134	11.50
2007-08	25,113,752,871	3,523,167	997,580,980	26,114,857,018	8.34
2008-09	25,487,697,078	3,523,167	1,103,617,670	26,594,837,915	1.84
2009-10	24,509,886,296	3,523,167	1,106,544,038	25,619,953,501	(3.67)
2010-11	23,474,101,252	2,283,577	1,131,625,409	24,608,010,238	(3.95)
2011-12	22,882,437,255	1,923,577	1,089,625,933	23,973,986,765	(2.58)
2012-13	22,718,268,099	1,923,577	1,111,513,520	23,831,705,196	(0.59)
2013-14	23,388,400,678	1,923,577	1,037,793,642	24,428,117,897	2.50
2014-15	25,348,945,024	3,501,256	1,095,036,557	26,447,482,837	8.27
2015-16	27,275,320,841	3,501,256	1,142,580,266	28,421,402,363	7.50
2016-17	28,819,547,452	3,501,256	1,169,606,214	29,992,654,922	5.53
2017-18	30,234,262,858	3,501,256	1,172,525,698	31,410,289,812	4.73

Source: California Municipal Statistics, Inc.

Appeals and Adjustments of Assessed Valuations

Pursuant to California Proposition 8 of November 1978 (“Proposition 8”), property owners may apply for a reduction of their property tax assessment by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the factors described in the paragraph above or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as lower residential home sale prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California Constitution.”

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the County, and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIII A (currently, a 2% annual maximum) until such assessed value again equals the Article XIII A base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIII A and base year values may not be increased by more than the standard Article XIII A annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIII A base year value for such property. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California Constitution” herein. A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals and reassessments in the future, or actions by County assessors, will not significantly reduce the assessed valuation of property within the District.

Natural Disasters Impacting Assessed Valuations

Recent Wildfires in Sonoma County. In 2017, certain portions of the State were effected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. In October, 2017, a wildfire within Sonoma County destroyed thousands of homes and businesses in the City of Santa Rosa. As a result of the Sonoma County wildfires, Santa Rosa City Schools closed all of its schools on October 9, 2017. A portion of the schools were re-opened on October 27, 2017 with the balance re-opening on October 30, 2017. Two Santa Rosa City Schools’ properties were destroyed by the wildfires; Hidden Valley Elementary School Satellite campus (owned by the Elementary District) and Santa Rosa High School’s Farm on Alba Lane (owned by the District). It has been verified that 817 students and 80 employees lost their homes in the fires and 537 students have left Santa Rosa City Schools since October of 2017.

For fiscal year 2017-18, properties impacted by the Sonoma County wildfires will be taxed at their assessed value prior to the wildfire damage for the first three months of 2017-18. For the remaining nine months of 2017-18, the assessed value of wildfire impacted properties has been reduced to reflect any damage resulting from the wildfires. For properties on which the improvements were destroyed, the portion of the assessed value attributable to improvements has been reduced to zero and the portion of the

assessed value attributable to land has been reduced by 35%. The reduction for land only applies for fiscal year 2017-18 and will revert to pre-wildfire assessed valuation in 2018-19. The County estimates that total assessed valuation in the District will be reduced approximately 5% (\$1,580,981,124) of pre-wildfire total assessed value with 4% of the affected property remaining to be re-assessed. Property owners may appeal the re-assessment until October, 2018.

As fire-damaged properties are repaired or re-built, the newly-built improvements will be re-assessed and assessed values will increase in the District. The District is not able, however, to give any assurances as to when or to what extent such repairs and re-building will commence or occur.

The State has agreed to pay to Santa Rosa City Schools the difference in the 1% general County-wide assessment resulting from the lower assessed value from the wildfires and that which would have been payable based on the pre-wildfire assessed value. The State has not yet agreed to reimburse the District for the difference in the general obligation bond tax levy but the County has sufficient reserves on hand in the District's debt service fund to pay debt service due on the District's outstanding general obligation bonds during fiscal year 2017-18.

California Drought Conditions Water shortfalls resulting from the driest conditions in recorded State history caused Governor Brown, on January 17, 2014, to declare a State-wide Drought State of Emergency for California and directed State officials to take all necessary actions to prepare for water shortages. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. Subsequent executive orders and Water Board regulations imposed reductions on water usage in response to the drought conditions. On April 7, 2017, the Governor announced the end of the State-wide drought in all but four counties in California but extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions.

The District cannot make any representation regarding the effects that a future drought or wildfires may have on the assessed value of taxable property within the District, or to what extent such events could reduce land values or adversely impact other economic activity within the boundaries of the District.

The table below presents the 2017-18 assessed valuation within the District by land use.

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
2017-18 Assessed Valuation and Parcels by Land Use

	2017-18	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Agricultural	\$ 985,018,763	3.26%	994	1.45%
Commercial	3,064,407,836	10.14	1,937	2.83
Vacant Commercial	196,022,061	0.65	322	0.47
Industrial	1,624,457,573	5.37	822	1.20
Vacant Industrial	60,266,124	0.20	140	0.20
Recreational	113,732,819	0.38	95	0.14
Government/Social/Institutional	394,141,794	1.30	2,663	3.89
Miscellaneous	<u>52,073,293</u>	<u>0.17</u>	<u>250</u>	<u>0.36</u>
Subtotal Non-Residential	\$6,490,120,263	21.47%	7,223	10.54%
<u>Residential:</u>				
Single Family Residence	\$19,011,552,971	62.88%	47,220	68.91%
Condominium/Townhouse	1,428,544,400	4.72	7,194	10.50
Mobile Home/Mobile Home Park	241,374,491	0.80	473	0.69
Hotel/Motel	223,559,832	0.74	48	0.07
2-4 Residential Units	1,279,547,859	4.23	3,361	4.90
5+ Residential Units/Apartments	1,315,288,668	4.35	520	0.76
Vacant Residential	<u>244,274,374</u>	<u>0.81</u>	<u>2,487</u>	<u>3.63</u>
Subtotal Residential	\$23,744,142,595	78.53%	61,303	89.46%
Total	\$30,234,262,858	100.00%	68,526	100.00%

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

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The table below sets forth the largest local secured taxpayers within the District in fiscal year 2017-18.

**CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
2017-18 Largest Total Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2017-18 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Keysight Technologies Inc.	Industrial	\$ 209,827,223	0.69%
2.	Varena LLC	Assisted Living Facility	83,138,091	0.27
3.	EMI Santa Rosa LP	Shopping Center	80,030,644	0.26
4.	Jackson Family Investments III LLC	Winery	75,068,715	0.25
5.	Coddington LLC	Shopping Center	65,578,680	0.22
6.	Sonoma-Cutrer Vineyards Inc.	Winery	62,622,496	0.21
7.	Apple Creek Apartments California LLC	Apartments	59,822,119	0.20
8.	Airport Business Center	Office Building	53,146,514	0.18
9.	Tohigh Investment SF LLC	Commercial	49,123,366	0.16
10.	OSL Santa Rosa Fountaingrove LLC	Assisted Living Facility	48,954,141	0.16
11.	Kendall-Jackson Wine Estates	Winery	48,761,544	0.16
12.	Arterial Vascular Engineering Inc.	Industrial	47,924,345	0.16
13.	Donahue Schriber Realty Group	Shopping Center	47,689,403	0.16
14.	FIT REN Paulin Creek LP	Assisted Living Facility	45,044,122	0.15
15.	Bridge-Sonoma Ridge LLC	Apartments	44,586,830	0.15
16.	Behringer Harvard Santa Rosa LP	Apartments	43,754,065	0.14
17.	SR Office Properties DE LLC	Office Building	43,362,156	0.14
18.	THI VI Sonoma LLC	Hotel	43,321,250	0.14
19.	MDR-TFTP LLC	Apartments	43,174,128	0.14
20.	Montgomery Village LP	Shopping Center	42,089,850	0.14
			<u>\$1,237,019,682</u>	<u>4.09%</u>

⁽¹⁾ 2017-18 total secured assessed valuation: \$30,234,262,858.

Source: California Municipal Statistics, Inc.

The top 20 taxpayers on the secured roll for 2017-18 account for 4.09% of the local secured assessed value in the District, which is \$1,237,019,682. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2017-18 was Keysight Technologies Inc., accounting for 0.69% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 0.27% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

The following table sets forth the number of parcels per assessed valuation ranges within the District.

**CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
2017-18 Largest Total Secured Taxpayers**

	No. of <u>Parcels</u>	2017-18 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	47,220	\$19,011,552,971	\$402,617	\$355,518

2017-18 <u>Assessed Valuation</u>	No. of <u>Parcels</u> ⁽¹⁾	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$49,999	695	1.472%	1.472%	\$ 26,535,354	0.140%	0.140%
\$50,000 - \$99,999	3,046	6.451	7.922	228,305,440	1.201	1.340
\$100,000 - \$149,999	2,461	5.212	13.134	308,423,463	1.622	2.963
\$150,000 - \$199,999	3,137	6.643	19.778	552,450,906	2.906	5.869
\$200,000 - \$249,999	4,557	9.651	29.428	1,032,484,418	5.431	11.299
\$250,000 - \$299,999	4,706	9.966	39.394	1,294,221,924	6.808	18.107
\$300,000 - \$349,999	4,528	9.589	48.983	1,469,569,503	7.730	25.837
\$350,000 - \$399,999	4,418	9.356	58.340	1,655,729,459	8.709	34.546
\$400,000 - \$449,999	4,303	9.113	67.452	1,829,825,575	9.625	44.171
\$450,000 - \$499,999	3,655	7.740	75.193	1,729,172,032	9.095	53.266
\$500,000 - \$549,999	2,639	5.589	80.781	1,381,512,013	7.267	60.533
\$550,000 - \$599,999	1,896	4.015	84.797	1,088,217,191	5.724	66.257
\$600,000 - \$649,999	1,457	3.086	87.882	909,150,607	4.782	71.039
\$650,000 - \$699,999	1,068	2.262	90.144	719,139,091	3.783	74.822
\$700,000 - \$749,999	821	1.739	91.883	594,530,995	3.127	77.949
\$750,000 - \$799,999	666	1.410	93.293	515,434,951	2.711	80.660
\$800,000 - \$849,999	564	1.194	94.488	465,166,645	2.447	83.107
\$850,000 - \$899,999	439	0.930	95.417	383,978,907	2.020	85.126
\$900,000 - \$949,999	342	0.724	96.141	315,450,745	1.659	86.786
\$950,000 - \$999,999	256	0.542	96.684	249,505,913	1.312	88.098
\$1,000,000 and greater	<u>1,566</u>	<u>3.316</u>	100.000	<u>2,262,747,839</u>	<u>11.902</u>	100.000
Total	47,220	100.000%		\$19,011,552,971	100.000%	

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

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area (4-009) for fiscal years 2013-14 through 2017-18.

**CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
Typical Tax Rate per \$100 Assessed Valuation (TRA 4-009)⁽¹⁾**

	2013-14	2014-15	2015-16	2016-17	2017-18
General Tax Rate	1.0000	1.0000	1.0000	1.0000	1.0000
Warm Springs Dam-Russian River Project	.0070	.0070	.0070	.0070	
Rincon Valley Union School District	.0235	.0525	.0510	.0480	
Santa Rosa High School	.0550	.0515	.0745	.0710	
Sonoma County Community College District	<u>.0188</u>	<u>.0180</u>	<u>1.0160</u>	<u>.0400</u>	
Total Tax Rate	1.1043	1.1290	1.1485	1.1660	

⁽¹⁾ 2017-18 assessed valuation of TRA 4-009 is \$_____.
Source: California Municipal Statistics, Inc.

The Teeter Plan

The Board of Supervisors of the County in June 1993 approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied with respect to the Bonds irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County 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 of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County.

Direct and Overlapping Debt

Numerous local agencies which provide public services overlap the District’s service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District’s estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

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The following table is a statement of the District's direct and estimated overlapping bonded debt as of April 1, 2018

**CITY OF SANTA ROSA HIGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS**

2017-18 Assessed Valuation: \$31,410,289,812

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/18</u>
Sonoma County Joint Community College District	36.190%	\$ 91,549,843
Santa Rosa High School District	100.000	107,425,000(1)
Bellevue Union School District	100.000	26,391,218
Bennett Valley Unified School District	100.000	10,942,502
Mark West Union School District	100.000	13,734,309
Piner-Olivet School District	100.000	10,413,068
Rincon Valley Union School District	100.000	50,451,604
Roseland School District	100.000	5,437,525
Santa Rosa School District	100.000	34,255,000
Wright School District	100.	15,972,659
Sonoma Valley Healthcare District	0.034	10,686
California Statewide Community Development Authority 1915 Act Bonds	100.000	6,005,000
Town of Windsor 1915 Act Bonds	65.270	2,251,815
City of Santa Rosa 1915 Act Bonds	100.000	<u>4,080,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$378,920,229
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Sonoma County General Fund Obligations	36.473%	\$ 5,771,852
Sonoma County Pension Obligation Bonds	36.473	138,570,045
Sonoma County Office of Education Certificates of Participation	36.473	229,780
Sonoma County Joint Community College District General Fund Obligations	36.190	405,328
Santa Rosa High School District Certificates of Participation	100.000	8,140,444
Rincon Valley Union School District Certificates of Participation	100.000	2,488,891
Roseland School District Certificates of Participation	100.000	3,629,283
West County Transportation Agency	42.520	4,526,254(2)
Other School District General Fund Obligations	100.000	2,237,581
City of Rohnert Park Certificates of Participation	2.790	65,216
City of Santa Rosa Certificates of Participation and Pension Obligation Bonds	99.999	37,669,624
Town of Windsor Authority General Fund Obligations	3.775	<u>109,853</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$203,844,151
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	2.275-100.%	\$36,778,461
 COMBINED TOTAL DEBT		\$619,542,841(3)

- (1) Excludes the Bonds to be sold.
- (2) West County Transportation Agency 2017 Bonds (Transportation Facility Project). Santa Rosa City Schools has agreed to make certain payments to the Transportation Agency. The Transportation Agency has pledged these payments to repay the bonds.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2017-18 Assessed Valuation:

DIRECT DEBT (\$107,425,000).....	0.34%
Total Direct and Overlapping Tax and Assessment Debt	1.21%
Combined Direct Debt (\$115,565,444)	0.37%
Combined Total Debt.....	1.97%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$1,536,183,024):

Total Overlapping Tax Increment Debt	2.39%
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Source: California Municipal Statistics, Inc.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District or Santa Rosa City Schools. The Bonds are payable solely from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on all property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula ("LCFF") was initially implemented in fiscal year 2013-14 and has subsequently been implemented in stages with full implementation expected in fiscal year 2020-21. Prior to adoption of the LCFF, the State used a revenue limit system described below.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as a part of the 2013-14 State Budget (defined below) enacted the LCFF beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. See "-Revenue Limit Funding System" below. The LCFF distributes resources to schools through a guaranteed base revenue limit funding grant (the "Base Grant") per unit of ADA. The average Base Grant is \$7,643 per unit of ADA, which is \$2,375 more than the average revenue limit. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth. The LCFF replaces the existing revenue limit funding system and many categorical programs. The District expects revenues to increase as a result of the implementation of the LCFF.

The primary component of AB 97, as amended by State Assembly Bill 91 (Stats. 2013, Chapter 49) ("SB 91"), is the implementation of the LCFF, which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The initial Base Grants per unit of ADA for each grade span were as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals and are not discussed separately herein). A supplemental grant add-on (each, a “Supplemental Grant”) is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table sets forth the ADA and enrollment for Santa Rosa City Schools fiscal years 2008-09 through and 2017-18.

ADA AND ENROLLMENT
Fiscal Years 2008-09 through 2017-18
Santa Rosa City Schools

<u>Fiscal Year</u>	<u>ADA</u>	<u>Enrollment</u>
2008-09		
2009-10		
2010-11		
2011-12		
2012-13		
2013-14		
2014-15		
2015-16		
2016-17		
2017-18*		

* Budgeted

Source: The District.

The following table sets forth the ADA by grade span, enrollment and the percentage of EL/LI enrollment for Santa Rosa City Schools for fiscal years 2015-16, 2016-17 and 2017-18 with projections for fiscal years 2018-19 and 2019-20.

ADA, ENGLISH LANGUAGE/LOW INCOME ENROLLMENT
Fiscal Years 2015-16 through 2019-20
Santa Rosa City Schools

Fiscal Year	ADA				Enrollment	
	K-3	4-6	7-8	9-12	Total Enrollment	% of EL/LI Enrollment
2015-16	2,292.38	1,679.88	2,951.01	7,312.06	15,221	57.86%
2016-17	2,390.20	1,620.70	2,935.36	7,273.28	15,110	57.83
2017-18						
2018-19 ¹						
2019-20 ¹						

¹ Projected.

Source: Santa Rosa City Schools.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants will be multiplied by such district’s P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district’s share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Certain schools districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not qualify as basic aid, and does not expect to in future fiscal years.

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be annually, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has developed and adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district’s LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district’s LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district’s strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized (i) to modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Revenue Limit Funding System. Prior to the implementation of the LCFF, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit (described below) per unit of ADA. Generally, such apportionments amounted to the difference between the District’s revenue limit and the District’s local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (i.e., unified, high school or elementary). State law also provided for State support of specific school related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

Revenue Sources

The District categorizes its general fund revenues into four sources:

SANTA ROSA CITY SCHOOLS Percentage of General Fund Revenue Sources

Revenue Source	2014-15	2015-16	2016-17	2017-18 ⁽¹⁾
LCFF sources	78.9%	76.3%	79.0%	79.7%
Federal revenues	5.5	5.1	5.2	5.1
Other State revenues	7.0	11.4	9.5	7.1
Other local revenues	8.6	7.2	6.2	8.0

(1) Based on Second Interim Report.

Source: The District.

LCFF Sources. State funding under the LCFF consists of Base Grants and supplemental grants as described above. See “- State Funding of Education – Local Control Funding Formula” above.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as All Students Succeed and Safe and Drug Free Schools.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, instructional materials, and various block grants.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, interagency services and other local sources.

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees are \$0.96 per square foot for residential housing and \$0.15 per square foot for commercial or industrial development. The following table sets forth developer fee collections by Santa Rosa City Schools for the last five fiscal years and the current collections for fiscal year 2017-18.

Fiscal Year	Developer Fees Collected
-------------	--------------------------

2012-13	\$775,089
2013-14	2,185,609
2014-15	431,975
2015-16	903,564
2016-17	870,382
2017-18	

Source: The District.

District Investments

The Sonoma County Treasurer-Tax Collector (the “Treasurer”) manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County’s Treasury Pool.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

For further information about Pooled Investment Fund, see “APPENDIX E - SONOMA COUNTY STATEMENT OF INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT”.

Financial Statements of the District

The District operates under a single budget with the Elementary District as Santa Rosa City Schools. The District’s Annual Financial Reports are audited and presented together with those of the Elementary District as if the two districts were a single district called Santa Rosa City Schools. The financial information that follows for Santa Rosa City Schools includes financial information for both the District and the Elementary District.

Santa Rosa City School’s general fund finances the legally authorized activities of the District and the Elementary District for which restricted funds are not provided. General fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from Santa Rosa City Schools’ financial statements follows. The audited financial statements for Santa Rosa City Schools for the 2016-17 fiscal year are attached hereto as APPENDIX C. Santa Rosa City Schools has not requested, and its auditors have not provided, any review or update to such audited financial statements. Santa Rosa City School’s audited financial statements for prior and subsequent fiscal years can be obtained by contacting Santa Rosa City Schools at 211 Ridgway Avenue, Santa Rosa, California 95401, telephone (707) 528-5381. Santa Rosa City Schools may impose a charge for copying, mailing and handling.

Santa Rosa City School’s financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board. See “DISTRICT FINANCIAL INFORMATION – General Fund” for more information regarding the Santa Rosa City School’s financial statements for recent fiscal years.

Funds used by Santa Rosa City Schools are categorized as follows:

Governmental Funds

General Fund

Special Revenue Funds

Debt Service Funds

Capital Project Funds

Fiduciary Funds

Trust and Agency Funds

Proprietary Funds

Internal Service Funds

The general fund of Santa Rosa City Schools, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District and the Elementary District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by Santa Rosa City Schools using information from the Annual Financial Reports which are prepared by the Assistant Superintendent Business Services for Santa Rosa City Schools and audited by independent certified public accountants each year. Santa Rosa City Schools' audited financial statements for the year ending June 30, 2017 are attached hereto as APPENDIX C.

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Comparative Financial Statements

The following table describes Santa Rosa City School's audited financial results for fiscal years 2013-14 through 2016-17.

SANTA ROSA CITY SCHOOLS GENERAL FUND Statement of Revenues, Expenditures and Change in Fund Balances for Fiscal Years 2013-14 through 2016-17

	2013-14 Audit	2014-15 Audit	2015-16 Audit	2016-17 Audit
REVENUES				
LCFF Sources	\$106,921,217	\$117,749,403	\$131,565,769	\$135,753,325
Federal Revenues	7,583,891	8,220,893	8,879,313	8,953,738
Other State Revenues	9,152,554	10,441,832	19,626,094	16,352,214
Other Local Revenues	<u>11,695,788</u>	<u>12,854,844</u>	<u>12,414,779</u>	<u>10,724,391</u>
TOTAL REVENUES	\$135,353,450	\$149,266,972	\$172,485,955	\$171,783,668
EXPENDITURES				
Certificated salaries	\$ 66,692,761	\$ 70,295,597	\$ 75,291,648	\$ 76,464,536
Classified salaries	15,785,036	17,664,986	18,376,011	20,469,599
Employee benefits	16,167,529	21,439,303	24,414,664	30,709,121
Books and supplies	3,428,554	6,053,847	7,025,786	7,392,007
Services and other operating expenditures	29,384,177	32,071,113	37,793,345	40,168,969
Capital outlay	401,521	195,673	45,120	411,974
Other outgo	<u>429,091</u>	<u>(31,606)</u>	<u>(403,915)</u>	<u>(478,120)</u>
TOTAL EXPENDITURES	\$132,288,669	\$147,688,913	\$162,542,659	\$175,138,086
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,064,781	\$ 1,578,059	\$ 9,943,296	\$ (3,354,418)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	\$ 341,317	\$ --	\$ 949,262	\$ 733,000
Operating Transfers Out	<u>(203,110)</u>	<u>(160,396)</u>	<u>(73,185)</u>	<u>(233,790)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ 138,207	\$ (160,396)	\$ 876,077	\$ 431,331
Net Change in Fund Balances	\$ 3,202,988	\$ 1,417,663	\$ 10,819,373	\$ (2,923,087)
Fund Balances at Beginning of Year	<u>\$ 10,730,601</u>	<u>\$ 13,718,420</u>	<u>\$ 15,358,029¹</u>	<u>\$ 26,177,402</u>
Fund Balances at End of Year	<u>\$ 13,933,589</u>	<u>\$ 15,136,083</u>	<u>\$ 26,177,402</u>	<u>\$ 23,254,315</u>

¹ 2014-15 fund balances differ from 2013-14 ending fund balance and 2015-16 beginning fund balance because

Source: Santa Rosa City Schools.

District Budgets

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. Santa Rosa City Schools adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

Santa Rosa City Schools is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect Santa Rosa City Schools operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education 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 two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections.

Santa Rosa City Schools has filed positive certifications for each reporting period in the last five years except for the First Interim Reports and Second Interim Reports for fiscal years 2016-17 and 2017-18, which were filed with qualified certifications.

Beginning in fiscal year 2016-17, increases in expenditures budgeted for 2017-18 and 2018-19, including step & column salary increases and increasing retirement contribution rates, combined with declining enrollment, caused Santa Rosa City Schools to find that it might not be able to meet its financial obligations in the subsequent two fiscal years and to certify its 2016-17 Interim Reports as qualified. The District formed a Fiscal Stabilization Committee which develop potential budget reductions which were subsequently approved by the Board. The budget reductions implemented in fiscal year 2016-17 included maintaining staffing ratios at 28:1 for middle and high school classrooms, various reductions to LCAP services including books and supplies and staffing, reducing transportation costs by outsourcing busing services to a local joint powers authority and reducing certain outside contracts. Such budget reductions were implemented in the 2016-17 Second Interim Report but were not sufficient to permit the District's multi-year projections to show that it would meet its financial obligations.

In connection with the District's 2017-18 First Interim Report, the District included certain non-specific monetary budget solutions with the intent for the Fiscal Stabilization Committee to identify specific solutions for implementation in the 2017-18 Second Interim Report. Subsequent to the announcement of the State's proposed budget for fiscal year 2018-19, the actual budget solutions were identified and approximately \$7.2 million in budgets solutions were approved by the Board as a part of the 2017-18 Second Interim Report. Such reductions were necessary in order for Santa Rosa City Schools to meet its minimum reserve requirements but are insufficient to allow Santa Rosa City Schools to certify that it will meet its financial obligations in 2019-20 and required that the 2017-18 Second

Report be filed with a qualified certification. Santa Rosa City Schools continues to examine budget reduction solutions to enable it to meet its financial obligations.

The table on the following page sets forth the budgets as compared to the audited actual results of Santa Rosa City Schools for fiscal years 2014-15 through 2016-17 and the Adopted Budget and Second Interim Report for fiscal year 2017-18.

GENERAL FUND BUDGETING
Fiscal Years 2014-15 through 2017-18
Santa Rosa City Schools

	Adopted Budget 2014-15	Audited Actuals 2014-15	Adopted Budget 2015-16	Audited Actuals 2015-16	Adopted Budget 2016-17	Audited Actuals 2016-17	Adopted Budget 2017-18	Second Interim Report 2017-18
REVENUES								
LCFF Sources	\$120,712,014	\$117,749,403	\$130,891,338	\$131,565,769	\$136,568,890	\$135,753,325	\$137,720,916	\$137,283,392
Federal	9,483,198	8,220,893	8,338,650	8,879,313	9,329,313	8,953,738	8,407,842	8,837,695
Other State	6,928,507	10,441,832	14,295,614	19,626,094	12,123,537	16,352,214	11,715,411	12,273,734
Other Local	<u>12,425,758</u>	<u>12,854,844</u>	<u>8,211,943</u>	<u>12,414,779</u>	<u>8,951,562</u>	<u>10,724,391</u>	<u>8,806,186</u>	<u>13,784,250</u>
Total Revenues	\$149,549,477	\$149,266,972	\$161,737,545	\$172,485,955	\$166,973,302	\$171,783,668	\$166,650,355	\$172,179,070
EXPENDITURES								
Certificated Salaries	\$ 68,847,650	\$ 70,295,597	\$ 72,421,693	\$ 75,291,648	\$ 76,622,339	\$ 76,464,536	\$ 76,955,578	\$ 76,902,188
Classified Salaries	17,434,060	17,664,986	18,226,400	18,376,011	21,084,556	20,469,599	22,073,735	21,548,201
Employee Benefits	21,086,652	21,439,303	21,786,683	24,414,664	28,696,856	30,709,121	30,275,898	30,260,360
Books and Supplies	8,845,414	6,053,847	5,703,953	7,025,786	14,631,205	7,392,007	6,090,592	12,510,655
Services, Other Operating Expenses	34,712,815	32,071,113	33,803,633	37,793,345	36,053,859	40,168,969	32,217,473	44,895,413
Capital outlay	225,829	195,673	128,491	45,120	152,770	411,974	464,869	365,306
Other Outgo	--	298,941	51,490	(403,915)	173,970	(478,120)	173,970	173,970
Direct Support & Indirect Costs	<u>(127,875)</u>	<u>(330,548)</u>	<u>(348,483)</u>	<u>--</u>	<u>(356,000)</u>	<u>--</u>	<u>(727,335)</u>	<u>(727,233)</u>
Total Expenditures`	\$151,024,545	\$147,688,913	\$151,773,860	\$162,542,659	\$177,059,555	\$175,138,086	\$172,524,780	\$185,928,860
EXCESS (DEFICIENCY) OR REVENUES OVER (UNDER) EXPENDITURES	\$ (1,475,068)	\$ 1,578,059	\$ 9,963,685	\$ 9,943,296	\$ (10,086,253)	\$ (3,354,418)	\$ (5,874,425)	\$ (13,749,790)
OTHER FINANCING SOURCES (USES)								
Interfund Transfers in	\$ --	\$ --	\$ --	\$ 949,262	\$ --	\$ 733,000	\$ 733,000	\$ 733,000
Interfund transfers out	<u>(257,183)</u>	<u>(160,396)</u>	<u>(231,332)</u>	<u>(73,185)</u>	<u>233,790</u>	<u>(233,790)</u>	<u>208,790</u>	<u>208,790</u>
Total Other Financing Sources and Uses	\$ (257,183)	\$ (160,396)	\$ (231,332)	\$ 876,077	\$ 233,790	\$ 431,331	\$ 524,210	\$ 524,210
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	\$ (1,732,251)	\$ 1,417,663	\$ 9,732,353	\$ 10,819,373	\$ (10,320,043)	\$ (2,923,087)	\$ (5,350,215)	\$ (13,225,580)
Fund Balance, July 1	\$ 13,718,420	\$ 13,718,420	\$ 11,164,365	\$ 15,358,029	\$ 20,178,490	\$ 26,177,402	\$ 14,183,460	\$ 22,863,333
Fund Balance, June 30	<u>\$ 11,986,169</u>	<u>\$ 15,136,083</u>	<u>\$ 20,896,718</u>	<u>\$ 26,177,402</u>	<u>\$ 9,858,447</u>	<u>\$ 23,254,315</u>	<u>\$ 8,833,245</u>	<u>\$ 9,637,752</u>

Source: Santa Rosa City Schools.

State Budget

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the County, the Underwriters, Bond and Disclosure Counsel nor the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, Bond and Disclosure Counsel nor the Underwriters assume any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.**

2017-18 State Budget. On June 27, 2017, Governor Brown signed the budget for the State for fiscal year 2017-18 (the "2017-18 State Budget"). For the 2016-17 fiscal year, the 2017-18 State Budget increases revenues and transfers to \$118.5 billion (up \$3 billion from the 2016-17 State Budget) and revises expenditures downward approximately \$1.1 billion from the 2016-17 State Budget to \$121.4 billion.

For 2017-18, the 2017-18 State Budget includes general fund revenues and transfers of \$125.9 billion and expenditures of \$125.1 billion with a \$1.8 billion deposit to the Rainy Day Fund to bring the Rainy Day Fund balance to \$8.5 billion. A supplemental payment to PERS of \$6 billion through a loan from the Surplus Money Investment Fund is intended to reduce PERS' unfunded liabilities and stabilize the State's contribution rate to PERS. The 2017-18 State Budget expands the Earned Income Tax Credit by including self-employed individuals and expanding the income ranges for which the credit applies. Additionally, the 2017-18 Budget implements the Road Repair and Accountability Act of 2017 aimed at investing in transportation infrastructure repair and modernization.

With respect to K-12 education, total spending is projected to be \$92.5 billion in 2017-18. The Proposition 98 minimum funding guarantee for 2017-18 is increased by \$2.6 billion over the 2016-17 State Budget level to \$74.5 billion. LCFF funding under the 2017-18 State Budget is increased by \$1.4 million bringing the LCFF to approximately 97% of full funding.

Significant provisions of the 2017-18 State Budget effecting K-12 education are as follows:

- One-Time Discretionary Grants — \$877 million Proposition 98 funds to provide school districts, county offices of education, and charter schools with discretionary resources for deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards.
- After School and Education Safety (ASES) Program — \$50 million Proposition 98 funds to increase provider reimbursement rates for the ASES program.
- California Educator Development Program — \$11.3 million one-time federal Title II funds to assist local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high need subjects and schools.
- Classified School Employees Credentialing Program — \$25 million one-time Proposition 98 funds, available for five years, to support recruitment of non-certificated school employees to participate in a teacher preparation program and become certificated classroom teachers.

- Bilingual Professional Development Program — \$5 million one-time Proposition 98 funds for one time competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.
- Charter School Facility Grant Program — An increase in the per student funding rate to \$1,117 for the 2017-18 fiscal year and an ongoing COLA.
- County Office of Education Accountability Assistance — \$7 million Proposition 98 funds to support county office LCAP review and technical assistance workload.
- California Equity Performance and Improvement Program — An increase of \$2.5 million one-time Proposition 98 funds to support and promote equity.
- Refugee Student Support — \$10 million one-time Proposition 98 General funds to provide services for refugee students transitioning to a new learning environment.
- California-Grown Fresh School Meals Grants — \$1.5 million one-time Proposition 98 funds to incentivize the purchase of California-grown food by schools and expand the number of freshly prepared school meals.
- District of Choice Program Extension — A six-year extension of the District of Choice program (set to sunset in 2018) and additional oversight and accountability requirements.

Proposed 2018-19 State Budget. On January 10, 2018, Governor Brown announced his proposed budget for the State for fiscal year 2018-19 (the “Proposed 2018-19 State Budget”). Under the Proposed 2018-19 State Budget, revenues and transfers for 2017-18 are approximately \$127 billion, an increase of approximately \$1.1 billion over the 2017-18 State Budget as a result of increased personal income tax and sales tax receipts over projections. Expenditures in 2017-18 will total approximately \$126.5 billion. The Proposed 2018-19 State Budget forecasts resources for 2018-19 at approximately \$129.7 billion with \$131 billion of expenditures. The Proposed 2018-19 State Budget prioritizes continued implementation of existing programs and fiscal prudence as economic conditions remain stable. The Proposed 2018-19 State Budget would make a supplemental transfer to the Rainy Day Fund of \$3.5 billion (in addition to the \$1.5 billion required deposit) to bring the Rainy Day Fund to maximum funding in order to mitigate possible future economic recession.

With respect to K-12 education, the Proposed 2018-19 State Budget includes record Proposition 98 funding of \$78.3 billion, including \$1.8 billion of discretionary one-time funds. Total per pupil funding from all sources is projected to reach \$16,085 in 2018-19 (including certain settle-up payments) with Proposition 98 per pupil funding totaling \$11,614, an increase of \$465 over 2017-18. With respect to LCFF, the Proposed 2018-19 State Budget includes \$3 billion to bring the LCFF to full funding two years earlier than initially projected.

Significant provisions of the Proposed 2018-19 State Budget relating to K-12 education are as follows:

- K-12 Component of the Strong Workforce Program—\$212 million Proposition 98 Funds for K-12 CTE programs administered through the community college Strong Workforce Program in consultation with the Department of Education.
- COLA—\$133.5 million Proposition 98 Funds to support a 2.51% COLA for categorical programs outside of the LCFF, including Special Education, Child Nutrition, Foster Youth,

American Indian Education Centers, and the American Indian Early Childhood Education Program.

- Special Education—\$125 million Proposition 98 Funds and \$42.2 million federal Temporary Assistance for Needy Families (TANF) funds on a one-time basis for competitive grants to expand inclusive care and education settings for 0-5 year olds and improve school readiness and long-term academic outcomes for low-income children and children with exceptional needs.
- State System of Support—\$59.2 million Proposition 98 Funds for county offices of education and lead county offices of education to provide technical assistance to local educational agencies.
- California Collaborative for Educational Excellence (“CCEE”)—\$6.5 million Proposition 98 Funds for the CCEE to help build capacity within county offices of education to provide technical assistance and improve student outcomes and \$11.3 million Proposition 98 Funds for the CCEE to work with county offices of education to provide assistance to school districts.
- County Offices of Education—\$55.2 million Proposition 98 Funds to help county offices of education facilitate the improvement of school districts identified as being in need of differentiated assistance.
- SELPAS—\$10 million ongoing Proposition 98 Funds for SELPAs to work with county offices of education to provide technical assistance to local educational agencies to improve student outcomes.
- Special Education Teachers—\$100 million to increase and retain special education teachers.
- Early Education and Care—\$167 million to increase the availability of inclusive early education and care for children aged 0 to 5 years old, especially in low-income areas and in areas with relatively low access to care.
- Educator Effectiveness Block Grant—\$490 million one-time Proposition 98 Funds to support educator professional development.
- Classified School Employee Credentialing Grant Program—\$45 million one-time Proposition 98 Funds to support at least 2,250 classified employees electing to become certificated classroom teachers.
- Integrated Teacher Preparation Program—\$10 million one-time non-Proposition 98 Funds to create pathways that allow university students to graduate with a bachelor’s degree and a preliminary teaching credential within four years.
- California Educator Development Grant Program—\$9 million one-time federal Title II funds for competitive grants that assist local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high-need subjects and schools.
- California Center on Teaching Careers—\$5 million one-time Proposition 98 Funds to support statewide teacher recruitment and retention efforts.

- Bilingual Educator Professional Development Grant Program—\$5 million one-time Proposition 98 Funds for competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.
- CalWORKs Stage 2 and Stage 3 Child Care—\$5.2 million non-Proposition 98 Funds to reflect slight increases in the number of CalWORKs child care cases and slight decreases in the estimated cost of care.

The final State budget for fiscal year 2018-19, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Proposed 2018-19 State Budget. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2018-19 State budget from the Proposed 2018-19 State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2018-19 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2018-19 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Actions. The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIII A of the California Constitution

Article XIII A of the California Constitution 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 indebtedness approved by the voters prior to July 1, 1978 and on 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. 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.” The 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.

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 two percent 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.

All taxable property is shown at full market value on the tax rolls, with tax rates 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.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the “Smaller Classes, Safer Schools and Financial Accountability Act” (the “Smaller Classes Act”) which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for “the

construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities,” (2) a list of projects to be funded and a certification that the school district board has evaluated “safety, class size reduction, and information technology needs in developing that list” and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIII A has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIII A of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. Finally, AB 1908 requires that a citizens’ oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Article XIII B of the California Constitution

Under Article XIII B of the California State Constitution state and local government 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 appropriations 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.

Article XIII C and XIII D of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by a majority of California voters. Proposition 218 added Articles XIII C and XIII D to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as “general taxes” (defined as those used for general governmental purposes) or “special taxes” (defined as taxes for a specific purpose even if the revenues flow through the local government’s general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing

local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the

governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita general fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 88, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

Propositions 1A and 22

Proposition 1A (SCA 4) provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any

fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning June 1, 2009, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's General Fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to the LAO analysis of Proposition 22 submitted by the LAO on July 15, 2010, the expected reduction in resources available for the State to spend on other programs as a consequence of the passage of Proposition 22 was approximately \$1 billion in fiscal year 2010–11, with an estimated immediate fiscal effect equal to approximately 1 % of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, would be an increase in the State's General Fund costs by approximately \$1 billion annually for several decades.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$600,000 but less

than \$1,000,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers).

The revenues generated from the temporary tax increases has been included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98” and “—Proposition 111” herein. From an accounting perspective, the revenues generated from the temporary tax increases are deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA are allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district received less than \$200 per unit of ADA and no community college district received less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 55

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative (“Proposition 55”) which extends the increase in personal income tax on the high-income taxpayers imposed under Proposition 30 to 2030. Proposition 55 did not extend the sales and use tax increase imposed under Proposition 30 which expired in 2016.

Proposition 51

The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities. The District makes no representation that it will either pursue or qualify for Proposition 51 State facilities funding.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school districts lack sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at \$3 million for a new facility and \$1.5 for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit

to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State Legislature will select among eligible projects as part of the annual state budget process.

Proposition 2

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 (“Proposition 2”), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of general fund revenues into the Budget Stabilization Account (“BSA”). From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or general fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the newly established under Proposition 2 Public School System Stabilization Account (the “PSSSA”) which serves as a reserve account for school funding in years when the State budget is smaller.

SB 858. Senate Bill 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 PSSSA, 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 Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 26, 98, 30, 51 and 55 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. The nature and impact of these measures cannot be anticipated by the District.

CITY OF SANTA ROSA HIGH SCHOOL DISTRICT

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

District Organization

The District, together with the Elementary District, operates as Santa Rosa City Schools. Pursuant to Section 35110 *et seq.* of the Education Code of the State of California (the "State"), on April 26, 1983, the Board adopted Resolution No. H-578 which deemed the District and the Elementary District to be a single school district for all purposes, including, but not limited to, budget and personnel matters, and the governing board of the District and the governing board of the Elementary District, together, to be the governing board of a single school district. Each of the District and the Elementary District, however, continue to hold title to property in their own name and any indebtedness for such property also remains the indebtedness of each separate district. The District and the Elementary District incur bonded indebtedness as separate school districts.

The District is located in the northern San Francisco bay area in Sonoma County approximately 50 miles north of San Francisco and 85 miles northwest of Sacramento consisting primarily of the city of Santa Rosa. The District provides seventh and eighth grade education services in six middle schools and ninth through twelfth grade education services in five high schools. In addition, the District operates two continuation schools. Students from the Elementary District, as well as eight distinct elementary districts, feed middle school and high school students into the District. The budgeted ADA for Santa Rosa City Schools for fiscal year 2017-18 is 15,332 students, and the District has a 2017-18 assessed valuation of \$31,410,289,812. The audited financial statements for Santa Rosa City Schools for the fiscal year ended June 30, 2017 are attached hereto as APPENDIX C.

The District is governed by the Board, which consists of seven members who are elected at-large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

BOARD OF EDUCATION

Name	Office	Term Expires November
Jenni Klose	President	2020
Bill Carle	Vice-President	2018
Laurie Fong	Clerk	2020
Evelyn Anderson	Director	2020
Ron Kristof	Director	2018
Frank Pugh	Director	2018
Ed Sheffield	Director	2020

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Santa Rosa City Schools, 211 Ridgeway Avenue, Santa Rosa, California 95401, Attention: Assistant Superintendent, Business Services. The District may charge a small fee for copying, mailing and handling.

Key Personnel

The following is a listing of the key administrative personnel of Santa Rosa City Schools.

Name	Title
Diann Kitamura	Superintendent
Rick Edson	Assistant Superintendent, Business Services
Anna-Maria Guzman, Ed.D.	Assistant Superintendent, Curriculum and Instruction
Jason Lea	Assistant Superintendent, Human Resources

Diann Kitamura. Diann Kitamura was appointed as the Superintendent of Santa Rosa City Schools on May 11, 2016. She previously served as Interim Superintendent from February 2016 until her appointment as Superintendent and as the Associate Superintendent since July 1, 2013. Superintendent Kitamura has thirty years of experience in education including as a teacher, school counselor and site administrator, as well as in the district office. She also served as a member of the Board of Trustees of Galt Joint Union High School District from 2008 to 2012 and as the President of the Board of Trustees for two years. She earned her M.S. in Counseling from California State University Sacramento and a B.S. in Plant Science from California Polytechnic San Luis Obispo.

Rick Edson. Mr. Edson has served as Assistant Superintendent, Business Services of Santa Rosa City Schools since April, 2018. Mr. Edson previously served as the Chief Technology Officer and the Chief Bond Officer of the District for four years. Prior to the District, Mr. Edson was a K-12 Specialist Account Executive at Enterasys Networks. He is a Board Member of CMedia Labs, a non-profit corporation that provides education, training and technology in media literacy to the Santa Rosa community. He received a Bachelor of Arts Degree in Finance from California State University Sacramento.

District Employees

Santa Rosa City Schools employs approximately [921] full-time equivalent certificated academic professionals as well as [404] full-time equivalent classified employees.

The certificated employees of the District have assigned the Santa Rosa Teachers Association (“SRTA”) as their exclusive bargaining agent. The contract among the District, the Elementary District and SRTA expires on June 30, 201_.

The classified employees have assigned California School Employees Association (“CSEA”) as their exclusive bargaining agent and are represented by two local chapters of CSEA; Classified Local 75 and Classified Local 367. The contracts among the District, the Elementary School District and each chapter of CSEA expires on October 31, 2018.

Retirement System

The information set forth below regarding the District’s retirement programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by the District or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. The District is currently required by such statutes to contribute 14.43% of eligible salary expenditures, while participants contribute either 10.25 % or 9.205% of their respective salaries depending on their date of hire. The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll. The State’s contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 (“AB 1469”) which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay in 2017-18. The State’s total contribution has also increased from approximately 3% in fiscal year 2013-14 to 6.328% of payroll, 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 STRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to A.B. 1469, each school district’s contribution rates will increase over a seven year phase in period in accordance with the following schedule:

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

Santa Rosa City Schools contributed \$9,992,035 to STRS for fiscal year 2014-15, \$13,064,507 for fiscal year 2015-16 and \$_____ for fiscal year 2016-17. Such contributions were equal to 100% of the required contributions for the respective years. Santa Rosa City Schools has budgeted a contribution of \$_____ for fiscal year 2017-18. With the implementation of AB 1469, Santa Rosa City Schools anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. Santa Rosa City Schools, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 15.531% of eligible salary expenditures for fiscal year 2017-18, while participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries and participants enrolled in PERS subsequent to January 1, 2013 contribute at an actuarially determined rate which is currently set at 6.59% of their respective salaries.

On April 19, 2017, the Board of Administration of PERS adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the Board of Administration in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years.

Santa Rosa City Schools contributed \$2,143,107 to PERS for fiscal year 2014-15, \$2,331,997 for fiscal year 2015-16 and \$_____ for fiscal year 2016-17, which amounts equaled 100% of required contributions to PERS. Santa Rosa City Schools has budgeted a contribution of \$_____ for fiscal year 2017-18.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275,

Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2016.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation as of July 1, 2016
(Dollar Amounts in Millions)⁽¹⁾

<u>Plan</u>	<u>Accrued Liability</u>	<u>Market Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS)	\$77,543	\$55,784	(\$21,758)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	266,704	177,914	(96,728)

⁽¹⁾ Amounts may not add due to rounding.

Source: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See “—California Public Employees’ Pension Reform Act of 2013” below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. Santa Rosa City Schools can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. Santa Rosa City Schools can also provide no assurances that Santa Rosa City Schools’ required contributions to PERS will not increase in the future.

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee’s Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is 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. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS 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 STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” 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 members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including Santa Rosa City Schools, took effect for the fiscal year beginning July 1, 2014.

Santa Rosa City School’s proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2017, are as shown in the following table.

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>
PERS	\$32,700,460
STRS	<u>127,758,630</u>
Total	\$160,459,090

Source: Santa Rosa City Schools.

For further information about the District’s contributions to STRS and PERS, see Note 9 in the Santa Rosa City School’s audited financial statements for fiscal year ended June 30, 2017 attached hereto as Appendix C.

Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board (“GASB”) pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity’s annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 (“GASB 45”) was effective for Santa Rosa City Schools for the fiscal year ending June 30, 2008.

Employees who are eligible to receive retiree employment benefits other than pensions (“Health & Welfare Benefits”) while in retirement must meet specific criteria, *i.e.*, age and years of service to Santa Rosa City Schools. Santa Rosa City Schools provides Health & Welfare Benefits to qualified eligible certificated employees as well as management, confidential and supervisory and designated hourly employees who retire after attaining age 55 with at least 15 years of full-time service to Santa Rosa City Schools until such retirees reach age 65. Classified employees who retire after age 55 with at least 15 years of service to Santa Rosa City Schools in a position with at least 4 hours per day receive Health & Welfare Benefits. Additionally, three Board members (one active and two retired) are entitled to lifetime Health and Welfare Benefits under a Board policy that has since been repealed. On July 1, 2017, ____ retirees and beneficiaries met these qualifications with ____ active plan members.

Expenditures for Health and Welfare Benefits are recognized each pay period at a rate that approximates the amount of premiums paid. During the fiscal years ended June 30, 2015, June 30, 2016, and June 30, 2017 expenditures of \$1,365,981, \$887,989 and \$1,554,439 were recognized for Health and Welfare Benefits, respectively. The following table shows the components of the District’s annual Health and Welfare Benefits cost for the year, the amount actually contributed to fund Health and Welfare Benefits, and changes in the District’s net Health and Welfare Benefits.

Annual required contribution	\$ 2,979,731
Interest on net OPEB obligation	(500,731)
Adjustment to annual required contribution	<u>346,346</u>
Annual OPEB cost (expense)	2,825,346
Contributions made	<u>(1,554,439)</u>
Increase in net OPEB obligation	1,270,907
Net OPEB obligation – July 1, 2015	<u>12,070,281</u>
Net OPEB obligation – June 30, 2016	<u>\$13,341,188</u>

Santa Rosa City Schools has completed an actuarial study of its Health and Welfare Benefits dated July 1, 2014. Based on that study, the District’s Annual Required Contribution is \$2,979,731 and its unfunded actuarial accrued liability is \$23,581,656. [Updated Actuarial Valuation Available?]

**FUNDED STATUS
OTHER POST-EMPLOYMENT BENEFITS**

Fiscal Year Ended (June 30)	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2013	\$2,669,625	52.4.%	\$7,378,951
2014	2,650,482	49.1	8,673,830
2015	2,825,075	51.6	10,132,924
2016	2,979,731	29.8	12,070,281
2017	2,979,731	52.17	13,341,188

Source: Santa Rosa City Schools.

Certain Existing Obligations

A schedule of Santa Rosa City School's changes in long-term debt for the year ended June 30, 2017 is shown below:

	Balance July 1, 2015	Additions	Adjustments and Deletions	Balance June 30, 2016	Due Within One Year
General obligation bonds	\$128,946,181	\$71,960,188	\$24,238,142	\$176,668,227	\$22,955,000
Certificates of Participation:					
Principal Payments	8,140,444	--	--	8,140,444	--
Accreted Interest	24,359	54,735	--	79,094	--
Total COP's	8,164,803	54,735	--	8,219,538	--
Net Pension Obligations	128,792,689	54,209,824	22,543,423	160,459,090	--
Net OPEB Obligation	12,070,281	2,825,346	1,554,439	13,341,188	--
Compensated Absences	1,605,882	--	4,779	1,601,103	--
Total Long-term Liabilities	\$279,579,836	\$129,050,093	\$48,340,783	\$360,289,146	\$22,955,000

Source: Santa Rosa City Schools.

General Obligation Bonds

The District received authorization from the voters within the District to issue \$129,000,000 aggregate principal amount of general obligation bonds pursuant to an authorization on November 5, 1991 (the "1991 Authorization"). No further general obligation bonds remain to be issued under the 1991 Authorization, except for possible refunding bonds. The District also received authorization from the voters within the District to issue \$77,230,000 aggregate principal amount of general obligation bonds pursuant to an authorization on March 5, 2002 (the "2002 Authorization"). No further general obligation bonds remain to be issued under the 2002 Authorization, except for possible refunding bonds. The District received authorization to issue \$175,000,000 aggregate principal amount of general obligation bonds on November 4, 2014 (the "2014 Authorization"). On February 25, 2016, the District issued its \$12,165,000 General Obligation Bonds, 2014 Election, 2016 Series A (the "Series A Bonds") and on December 23, 2016, the District issued its \$50,000,000 General Obligation Bonds, 2014 Election, 2016 Series B (the "Series B Bonds"). Subsequent to the issuance of the Bonds, \$_____ aggregate principal amount of bonds remain for issuance under the 2014 Authorization. The Bonds are issued on a parity with all general obligation bonds of the District, including the Series A Bonds, the Series B Bonds, the bonds issued under the 1991 Authorization and the 2002 Authorization and additional future bonds to be issued under the 2014 Authorization. See "DEBT SERVICE SCHEDULE" for the debt service payments to be made on all of the District's outstanding general obligation bonds.

Certificates of Participation

On June 12, 2008, the District executed and delivered \$6,116,013 aggregate principal amount of certificates of participation (the "2008 Certificates") in order to finance certain capital improvements to District facilities. On December 16, 2015, the District executed and delivered \$8,195,444.15 aggregate principal and issue amount of its 2015 Refunding Certificates of Participation (the "Refunding Certificates") in order to prepay a portion of the 2008 Certificates. The Refunding Certificates were issued as current interest certificates and capital appreciation certificates and are secured by the general fund of Santa Rosa City Schools. The annual payments with respect to the Refunding Certificates through maturity are as follows:

* Preliminary; subject to change.

Bond Year (June 1)	Principal Component	Current Interest Component	Compounded Interest Component	Total Annual Certificate Payments
2018	--	\$247,043.76	--	\$247,043.76
2019	\$37,072.00	247,043.76	\$2,928.00	287,043.76
2020	65,000.00	247,043.76	--	312,043.76
2021	95,000.00	245,743.76	--	340,743.76
2022	125,000.00	243,843.76	--	368,843.76
2023	125,251.20	241,343.76	34,748.80	401,343.76
2024	145,403.70	241,343.76	49,596.30	436,343.76
2025	225,000.00	241,343.76	--	466,343.76
2026	181,199.70	235,718.76	88,800.30	505,718.76
2027	192,650.20	235,718.76	112,349.80	540,718.76
2028	204,553.95	235,718.76	140,446.05	580,718.76
2029	217,393.80	235,718.76	172,606.20	625,718.76
2030	226,919.60	235,718.76	203,080.40	665,718.76
2031	475,000.00	235,718.76	--	710,718.76
2032	550,000.00	219,687.50	--	769,687.50
2033	635,000.00	201,125.00	--	836,125.00
2034	725,000.00	178,900.00	--	903,900.00
2035	820,000.00	153,525.00	--	973,525.00
2036	925,000.00	123,800.00	--	1,048,800.00
2037	1,040,000.00	86,800.00	--	1,126,800.00
2038	<u>1,130,000.00</u>	<u>45,200.00</u>	<u>--</u>	<u>1,175,200.00</u>
Total	\$8,140,444.15	\$4,378,100.14	\$804,555.85	\$13,323,100.14

Source: The District.

Insurance

Santa Rosa City Schools is a member of Redwood Empire Schools Insurance Group (“RESIG”), a joint powers authority that provides various types of insurance to its members as requested. RESIG provides property, liability and workers’ compensation to Santa Rosa City Schools.

Santa Rosa City Schools maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker’s compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, Santa Rosa City Schools believes that the recorded liabilities for self-insured claims are adequate.

Joint Powers Authority

On July 1, 2016, Santa Rosa City Schools joined West County Transportation Agency (“WCTA”) which provides pupil transportation services to its member school districts within the County. Santa Rosa City Schools has agreed to make service payments to WCTA in an amount equal to its actual annual transportation costs. Pursuant to the Joint Powers Agreement under which WCTA was formed, member agencies, such as Santa Rosa City Schools, may only terminate their membership in WCTA after three consecutive years as a member and, upon termination, must pay any liabilities incurred during such member’s membership, including bonded indebtedness. In April, 2017, WCTA issued its \$10,835,000 Series 2017 Bonds (Transportation Facility Project) (the “WCTA Bonds”). Payments on the WCTA Bonds will be made by WCTA from service payments made to it by its members. See “TAX BASE FOR

REPAYMENT OF THE BONDS – Direct and Overlapping Indebtedness” herein for information regarding Santa Rosa City Schools’ proportionate liability for the WCTA Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than 290 days following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The District has entered into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the Owners of the Bonds. The Annual Report and each notice of material events will be filed by the District with the Electronic Municipal Markets Access system (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Within the past five years, the District [failed to file the annual report for fiscal year 2013-14 in a timely manner, as required by its existing continuing disclosure obligations. Within the past five years, the District also failed to file in a timely manner notices of certain enumerated events], as required by its existing continuing disclosure obligations. The District has engaged Isom Advisors, a division of Urban Futures, Inc. to act as Dissemination Agent to assist the District with compliance with its current and future continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District (“Bond Counsel”), attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge, a form of which is attached hereto as Exhibit A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as counsel to the Underwriters (“Underwriters’ Counsel”). Bond Counsel, Disclosure Counsel and Underwriters’ Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Bond Resolution and the Act require the County to annually 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 the principal of, premium, if any, and interest on the Bonds. The County, on behalf of the District, is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County’s Investment Pool, as described in “APPENDIX E - SONOMA COUNTY STATEMENT OF INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT” attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can “trace” those funds. There can be no assurance that the Owners could successfully so “trace” such taxes on deposit in the District’s Debt Service Fund where such amounts are invested in the County Investment Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

California Senate Bill 222

Government Code Section 53515, added by SB 222, applicable to general obligations bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Special Revenues

If the District were to become a debtor in a Chapter 9 proceeding, because the Bonds are for the re-financing of specific capital projects and are supported by a consensual lien on *ad valorem* property taxes that are use-restricted to the repayment of the Bonds, the District believes that those taxes are “special revenues” as defined in the Bankruptcy Code, and thus there is a special revenue lien in favor of owners of the Bonds in addition to, and separate and independent of, the statutory lien created by SB 222. In comparison to other consensual pledges and liens arising by agreement (that are all made ineffective post-bankruptcy by Section 552 of the Bankruptcy Code), special revenues acquired by a municipality during a Chapter 9 case will remain subject to the lien that arose from the security agreement entered into prior to the beginning of the case, and will survive the conclusion of the Chapter 9 proceeding. In addition, the automatic stay arising upon the filing of the bankruptcy petition does not stay the application of those special revenues to payment of the bonds secured by such special revenues. Thus, regularly scheduled payments of principal and interest to Owners of the Bonds likely would continue under 11 U.S.C. §922(d) throughout any bankruptcy proceeding.

Based on the foregoing, if the District were to become a debtor in a Chapter 9 proceeding, the District believes that: the *ad valorem* property taxes could not be used for any other purpose other than repayment of the Bonds; the *ad valorem* property taxes should be determined to be special revenues in a Chapter 9 proceeding, and thus Owners of the Bonds would ordinarily continue to be paid post-petition; and the *ad valorem* property taxes are also protected by a statutory lien in favor of the bondholders. It should be noted, however, that it is possible – in the context of confirming a Plan of Adjustment (the “Plan”) in a Chapter 9 case where the Plan has not received the requisite consent of the holders of the Bonds – a bankruptcy court may confirm a Plan that adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds provided that (a) the Bondholders retain their lien on the revenues subject to the statutory and/or special revenues lien, (b) the payment stream has a present value equal to the value of the revenues subject to the lien(s) and (c) the bankruptcy court finds that these and any other adjustments to the Bonds’ terms are fair and equitable.

The Bond Resolution and the Government Code require the County to annually 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 the principal of, premium, if any, and interest on the Bonds. The County on behalf of the District is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County’s Investment Pool, as described in “APPENDIX E - SONOMA COUNTY STATEMENT OF INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT” attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can “trace” those funds. There can be no assurance that the Owners could successfully so “trace” such taxes on deposit in the District’s Debt Service Fund where such amounts are invested in the County Treasury Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

TAX MATTERS

The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the “Code”), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The form of Bond Counsel’s anticipated opinion respecting the Bonds is included in APPENDIX A. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

Interest on the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust, or a real estate mortgage investment conduit) will be included in such corporation’s adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation for taxable years beginning prior to January 1, 2018.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the “Tax Certificate”) of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and

will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (“IRS” or the “Service”) or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the “taxpayer,” and the Owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the respective Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain of the Bonds

The initial public offering price of certain of the Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Bonds. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder’s basis in the Discount Bond, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under “TAX MATTERS.” Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Bond taking into account the semiannual compounding of

accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the “Premium Bonds”), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Form of Bond Counsel Opinion. The form of the proposed opinion of Bond Counsel relating to the Bonds is attached to this Official Statement as Appendix A.

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "A+" to the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

UNDERWRITING

RBC Capital Markets, LLC, on behalf of itself and Raymond James & Associates, has agreed to purchase the Series C Bonds at the purchase price of \$_____ (reflecting the principal amount of the Series C Bonds of \$_____ plus a net original issue premium in the amount of \$_____ less an Underwriters' discount in the amount of \$_____) and the Series D Bonds at the purchase price of \$_____ (reflecting the principal amount of the Series D Bonds of \$_____ less an Underwriters' discount in the amount of \$_____), at the rates and yields shown on the cover hereof.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover page. The initial public offering prices or yields may be changed from time to time by the Underwriters.

Underwriter Disclosures. RBC Capital Markets, LLC has provided the following information for inclusion in this Official Statement:

RBC Capital Markets, LLC and its affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC Capital Markets, LLC and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC Capital Markets, LLC and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. RBC Capital Markets, LLC and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. RBC Capital Markets, LLC and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of the offering of the Bonds or other offerings of the District; provided, however, that potential investors are advised that the offering of the Bonds is made only by means of the Official Statement. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than as contained in the Official Statement.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds, and the District's certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not

aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolutions are available upon request from the City of Santa Rosa High School District, 211 Ridgway Avenue, Santa Rosa California 95401

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 be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the District.

CITY OF SANTA ROSA HIGH SCHOOL
DISTRICT

By: _____
Superintendent

APPENDIX A

FORM OF BOND COUNSEL OPINION

[Date of Delivery]

Board of Education
City of Santa Rosa High School District
211 Ridgway Avenue
Santa Rosa California 95401

Re: \$_____ City of Santa Rosa High School District General Obligation Bonds, 2014
 Election, 2018 Series C
 and
 \$_____ City of Santa Rosa High School District General Obligation Bonds, 2014
 Election, 2018 Series D

Ladies and Gentlemen:

We have acted as bond counsel for the City of Santa Rosa High School District, County of Sonoma (the “County”), State of California (the “District”), in connection with the issuance by County in the name and on behalf of the District of \$_____ aggregate principal amount of the District’s General Obligation Bonds 2014 Election, 2018 Series C (the “Series C Bonds”) and \$_____ aggregate principal amount of the District’s General Obligation Bonds 2014 Election, 2018 Series D (the “Series D Bonds” and, together with the Series C Bonds, the “Bonds”). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended, applicable provisions of the Education Code of the State and that certain resolution adopted by the Board of Education of the District on _____, 2018 (the “District Resolution”) and the Resolution of the Board of Supervisors of the County on _____, 2018 (the “Bond Resolution” and together with the District Resolution, the “Resolution”). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolutions.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the County and the District for the authorization and issuance of the Bonds, including the Resolutions. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and the County as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

2. The District Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bond Resolution has been duly adopted and constitutes a valid and binding obligation of the County enforceable against the County in accordance with its terms.

4. It is further our opinion, based upon the foregoing, that pursuant to section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance with the provisions of the Resolution and in reliance upon representations and certifications of the District made in the Tax Certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, when the Bonds are delivered to and paid for by the initial purchasers thereof, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. However, interest on the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust, or a real estate mortgage investment conduit) will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation for taxable years beginning prior to January 1, 2018.

4. In our opinion, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California.

We express no opinion with respect to any federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

Dannis Woliver Kelley

APPENDIX B

SELECTED INFORMATION REGARDING THE CITY OF SANTA ROSA AND THE COUNTY OF SONOMA

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriters. The District comprises only a portion of the County of Sonoma, and the Bonds are only payable from *ad valorem* property taxes levied on property in the District.

County of Sonoma

The County of Sonoma, California (the “County”) was incorporated in 1850 as one of the original 27 counties of the State of California (the “State”), with the City of Santa Rosa as the County Seat. It is the largest of the nine counties in the San Francisco-Oakland Bay Area. Bordered on the north and east by Mendocino, Lake, and Napa counties and to the west and south by the Pacific Ocean, Marin County, and San Pablo Bay, its area encompasses 1,598 square miles.

City of Santa Rosa

The City of Santa Rosa (the “City”) is located in central Sonoma County and covers an area of approximately 35 square miles. Incorporated in 1868, the City is the county seat and operates under a council-manager form of government. The City Council is comprised of five elected members that appoint a City Manager and act as the city’s legislative and policy-making body.

Government

The County is governed by a County Administrator and a Board of Supervisors of five members. Each supervisor is responsible for one of five districts within the County.

The County Administrator’s Office is responsible for staffing the Board and Board committees, planning and overseeing County operations, and ensuring that Board policies are carried out in the most efficient and service oriented manner.

The duties and responsibilities of the Board of Supervisors include appointing County department heads and employees, providing for the compensation of all County officials and employees, creating officers, boards and commissions as needed, awarding all contracts for Public Works and all other contracts exceeding \$25,000, adopting an annual budget, and supervising the operations of departments and exercising executive and administrative authority through the County government and County Administrator.

Population

The population of the City and the County for calendar years 2012 through 2017 are presented in the following table.

POPULATION CITY OF SANTA ROSA AND THE COUNTY

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Santa Rosa	169,069	169,452	170,974	173,071	175,667	
Sonoma County	487,671	488,580	492,320	496,253	501,959	

Source: California State Department of Finance, Demographic Research Unit

Major Employers

The County is host to a diverse mix of major employers representing industries ranging from government and health services to leisure and hospitality. The following tables list the County's major employers and the City's major employers, respectively.

COUNTY OF SONOMA MAJOR EMPLOYERS (As of June 30, 2017)

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees²</u>
Sonoma County	County government	
Santa Rosa Junior College	Post-secondary education	
Kaiser Permanente	Hospital and healthcare	
Granton Resort and Casino	Leisure and hospitality	
St. Joseph's Health System	Hospital and healthcare	
Keysight Technologies	Technology	
City of Santa Rosa	Municipal government	
Sonoma State University ¹	Education	
Sutter Santa Rosa Regional Hospital	Hospital and healthcare	
Amy's Kitchen	Food manufacturing	

¹ As of March 2015

² As of calendar year 2014.

Source: Sonoma County "Comprehensive Annual Financial Report" for the year ending June 30, 2017.

**CITY OF SANTA ROSA
MAJOR EMPLOYERS
(As of June 2017)**

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Sonoma County	County government	
Kaiser Permanente	Hospital and healthcare	
Santa Rosa Junior College	Post-secondary education	
Santa Rosa City Schools	Primary and secondary education	
St. Joseph's Health System	Hospital and healthcare	
Keysight/Agilent Technologies	Electrical device manufacturing	
City of Santa Rosa	Municipal government	
Sutter Medical Center	Hospital and healthcare	
Amy's Kitchen	Frozen food manufacturing	
Medtronic/Arterial Vascular Engineer	Medical equipment manufacturing	

Source: City of Santa Rosa "Comprehensive Annual Financial Report" for the year ending June 30, 2017.

Industry and Employment

The civilian labor force in the County consists of an average of 260,500 workers as of 2016. The total employment component of the labor force is 250,200. County residents seeking employment averaged 10,300 during 2016. The following table shows labor force statistics within the County as well as employment by industry group for 2012 through 2016, the most recent data available.

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COUNTY OF SONOMA
Civilian Labor Force, Employment and Unemployment, Employment by Industry
(Annual Averages, 2012 through 2016, March 2016 Benchmark)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Civilian Labor Force ⁽¹⁾	246,300	250,000	256,600	258,400	260,500
Employment	224,500	232,200	242,200	246,900	250,200
Unemployment	21,800	17,700	14,400	11,500	10,300
Unemployment Rate	8.9%	7.1%	5.6%	4.5%	4.0%
Wage and Salary Employment ⁽²⁾					
Agriculture	6,000	6,300	6,100	6,000	6,200
Mining and Logging	200	200	300	200	200
Construction	8,800	9,900	10,500	11,600	12,500
Manufacturing	19,700	20,100	20,700	22,000	22,300
Wholesale Trade	6,900	7,400	7,500	7,500	7,700
Retail Trade	22,700	23,700	24,300	24,700	24,800
Transportation, Warehousing and Utilities	3,900	4,100	4,300	4,300	4,200
Information	2,600	2,600	2,700	2,700	2,700
Finance and Insurance	4,600	4,700	4,800	5,000	5,200
Professional and Business Services	18,200	19,300	20,100	20,400	21,100
Educational and Health Services	26,200	27,900	31,200	32,100	33,100
Leisure and Hospitality	21,800	22,800	23,800	24,600	25,000
Other Services	21,800	22,800	23,800	24,600	25,000
Federal Government	1,500	1,400	1,300	1,300	1,300
State Government	4,700	4,600	5,000	5,100	5,000
Local Government	<u>21,900</u>	<u>22,900</u>	<u>24,900</u>	<u>25,400</u>	<u>26,100</u>
Total, All Industries ⁽³⁾	178,500	187,100	197,100	202,800	207,800

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

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Construction Activity

Building activity for the years 2012 through 2016 in the County is shown in the following table.

SONOMA COUNTY
Total Building Permit Valuations
2012 through 2016 (Figures in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Permit Valuation</u>					
New Single-family	\$81,742.3	\$91,419.1	\$69,788.4	\$65,968.4	\$112,941.1
New Multi-family	50,309.2	51,210.7	22,017.8	27,797.3	26,149.2
Res. Alterations/Additions	<u>41,061.7</u>	<u>59,124.5</u>	<u>64,228.0</u>	<u>78,005.1</u>	<u>71,079.1</u>
Total Residential	173,113.2	201,754.3	156,034.3	171,770.8	210,169.4
New Commercial	43,428.1	60,889.7	25,597.8	49,225.3	75,558.4
New Industrial	2,001.3	0.0	0.0	2,484.9	156.4
New Other	0.0	9,776.3	38,778.3	21,263.9	34,103.7
Com. Alterations/Additions	<u>76,946.1</u>	<u>55,293.2</u>	<u>70,889.6</u>	<u>84,641.9</u>	<u>79,943.6</u>
Total Nonresidential	\$122,375.5	\$125,959.2	\$135,265.8	\$157,616.0	\$189,762.0
 <u>New Dwelling Units</u>					
Single Family	279	295	292	236	560
Multiple Family	<u>318</u>	<u>732</u>	<u>214</u>	<u>206</u>	<u>264</u>
TOTAL	597	1,027	506	442	824

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

All modes of commercial transportation are available in the County. The Petaluma River is capable of handling water barge freight from the San Francisco Bay to Petaluma. Northwestern Pacific Railroad provides rail transportation with the County with connections to major rail interchanges. The Sonoma County Airport, located just outside the City of Santa Rosa, handles commercial and private air traffic, with Horizon-Alaska Airlines providing regional air transportation. Seven private airfields serve the County as well. In addition, highways bisect the County; the major freeway is U.S. Highway 101, which runs from Marin and San Francisco Counties in the south to Mendocino County in the north. State Highway 12 is the major east-west thoroughfare, running from Bodega Bay on the western coastline to Sonoma on the east.

APPENDIX C

**SANTA ROSA CITY SCHOOLS
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2017**

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the City of Santa Rosa High School District (the “District”) in connection with the execution and delivery of \$_____ aggregate principal amount of the District’s General Obligation Bonds, 2014 Election, 2018 Series C and General Obligation Bonds, 2014 Election, 2018 Series D (collectively, the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on _____, 2018 (the “Resolution”) and Resolution adopted by the Board of Supervisors of the County of Sonoma on _____, 2018 (the “Bond Resolution” and together with the District Resolution, the “Resolutions”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolutions.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist RBC Capital Markets, LLC and Raymond James & Associates, Inc. (collectively, the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, 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 4 and 5 of this Disclosure Agreement.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent or Assistant Superintendent, Business Services (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be the District.

“Listed Event” means any of the events listed in Section 6 of this Disclosure Agreement.

“Material Events Disclosure” means dissemination of a notice of a Material Event as set forth in Section 6.

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/>, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated _____, 2018 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 290 days after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2018, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a timely notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) General fund budget for current fiscal year;

(ii) Assessed valuations for the current fiscal year; and

(iii) Property tax levy, collections and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the

document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, 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:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of or failure to perform by any credit provider.
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person. For the purposes of the event identified in this Section 6(a)(ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District 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 District, 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 District.

(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:

- (i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or 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;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee.

(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 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof 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 subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only 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 the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering 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 does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to each NRMSIR or to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: _____, 2018

CITY OF SANTA ROSA HIGH SCHOOL
DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Santa Rosa High School District

Name of Issue: \$_____ General Obligation Bonds, 2014 Election, 2018 Series C
and
\$_____ General Obligation Bonds, 2014 Election, 2018 Series D

Date of Issuance: _____, 2018

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated _____, 2018. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

APPENDIX E

SONOMA COUNTY
STATEMENT OF INVESTMENT POLICY
AND
QUARTERLY INVESTMENT REPORT

The County of Sonoma Statement of Investment Policy, effective January __, 2018, and Quarterly Investment Report for the quarter ending December, 2017 follow.

Additionally, the following information can be found at the Office of the Auditor-Controller-Treasurer-Tax Collector, County of Sonoma website at www.sonoma-county.org/tax/about_treasurer.htm, however, such website is not incorporated herein by reference. 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 Auditor-Controller-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 Auditor-Controller-Treasurer-Tax Collector of County of Sonoma, 585 Fiscal Drive, Suite 100F, Santa Rosa, CA 95403-2831.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section 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 or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds 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 Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 (or the Paying Agent on behalf thereof) 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds 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 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 nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest 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 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.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

The information in this section 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.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in San Francisco, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in San Francisco, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.