

NEW ISSUE -- FULL BOOK-ENTRY

RATING: Standard & Poor's: "____"

See "RATING"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$ _____ *

PIEDMONT UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2017B General Obligation Refunding Bonds
(Crossover Refunding)

Dated: Date of Delivery

Due: August 1, as shown on inside cover

Authority and Purpose. The Piedmont Unified School District (Alameda County, California) 2017B General Obligation Refunding Bonds (Crossover Refunding) (the "Refunding Bonds") are being issued by the Piedmont Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Education of the District adopted on November 27, 2017 (the "Bond Resolution"). The Refunding Bonds are being issued to refund, on an advanced basis, the outstanding maturities of the District's General Obligation Bonds, Election of 2006, Series E and to pay costs of issuance. See "THE REFUNDING BONDS – Authority for Issuance" and "THE REFINANCING PLAN."

Security for the Refunding Bonds. After August 1, 2023 (the "Crossover Date"), the Refunding Bonds, will be general obligation bonds of the District payable solely from *ad valorem* taxes. The Board of Supervisors of Alameda County has the power and is obligated to annually levy *ad valorem* 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 Refunding Bonds. Prior to the Crossover Date, interest on the Refunding Bonds is secured by and payable by the District solely from proceeds of the Refunding Bonds deposited in an escrow fund established with proceeds of the Refunding Bonds. See "THE FINANCING PLAN" AND "SECURITY FOR THE REFUNDING BONDS."

Payments. Interest with respect to the Refunding Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2018. Payments of principal of and interest on the Refunding Bonds will be paid by U.S. Bank National Association, Los Angeles, California, as Paying Agent, to The Depository Trust Company ("DTC") for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds. See "THE REFUNDING BONDS - Description of the Refunding Bonds."

Redemption. The Refunding Bonds are subject to optional redemption prior to maturity as described herein. The Refunding Bonds may be subject to mandatory sinking fund redemption, at bidder's option. See "THE REFUNDING BONDS – Redemption."

Book-Entry Only. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchasers will not receive physical certificates representing their interests in the Refunding Bonds. See "THE REFUNDING BONDS – Description of the Refunding Bonds - Book-Entry Form" and APPENDIX F.

MATURITY SCHEDULE
(see inside front cover)

Cover Page. This cover page contains information for quick reference only. It is not a summary of all the provisions of the Refunding Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Refunding Bonds will be sold and awarded pursuant to a competitive bidding process to be held on Tuesday, December 12, 2017, as set forth in an Official Notice of Sale for the Bonds. The Bonds will be offered when, as and if issued, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about December 21, 2017.

The date of this Official Statement is: _____, 2017

* Preliminary; subject to change.

MATURITY SCHEDULE

BASE CUSIP^(†): _____

**PIEDMONT UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2017B General Obligation Refunding Bonds***

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP^(†)</u>
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** Preliminary; subject to change.*

† Copyright 2017, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by Standard & Poor's Capital IQ, and are provided for convenience of reference only. Neither the District nor the Purchaser assumes any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Refunding Bond owner and the District or the Purchaser.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Purchaser to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Purchaser.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Refunding Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

Involvement of Purchaser. The Purchaser has provided the following statement for inclusion in this Official Statement: The Purchaser has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Purchaser does not guarantee the accuracy or completeness of such information.

No Securities Laws Registration. The Refunding Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Refunding Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Refunding Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, counties described herein, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Stabilization of Market Price. In connection with the offering of the Refunding Bonds, the Purchaser may over allot or effect transactions which stabilize or maintain the market price of such Refunding Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Refunding Bonds.

**PIEDMONT UNIFIED SCHOOL DISTRICT
ALAMEDA COUNTY, CALIFORNIA**

BOARD OF EDUCATION

Sarah Pearson, *President*
Amal Smith, *Vice President*
Doug Ireland, *Member*
Cory Smegal, *Member*
Andrea Swenson, *Member*

DISTRICT ADMINISTRATION

Randall Booker, *Superintendent*
Song Chin-Bendib, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

KNN Public Finance, LLC
Oakland, California

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

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PIEDMONT UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2017B General Obligation Refunding Bonds
(Crossover Refunding)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the Piedmont Unified School District (Alameda County, California) 2017B General Obligation Refunding Bonds (Crossover Refunding) (the “**Refunding Bonds**”) by the Piedmont Unified School District (the “**District**”).

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 and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of Refunding Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District is located in Alameda County (the “**County**”) in the San Francisco Bay Area and serves the residents of the City of Piedmont (the “**City**”), an area of approximately 1.8 square miles with a population estimated of approximately 11,283. The District, created in 1920 and unified in 1936, has enrollment for fiscal year 2017-18 of approximately _____ students who attend the District's seven schools. There are three grades K-5 elementary schools, one grades 6-8 middle school, one traditional high school, one alternative high school and one adult education school. For demographic information about the District and the County, see APPENDIX B and APPENDIX C.

Purpose. The net proceeds of the Refunding Bonds will be used to advance refund, on a cross-over basis, the maturities of the outstanding \$11,998,678.35 original principal amount General Obligation Bonds, Election of 2006, Series E (the “**Series 2006E Bonds**”) that were issued as capital appreciation bonds. See “THE REFINANCING PLAN.”

Authority for Issuance of the Refunding Bonds. The Refunding Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “**Bond Law**”) and under a resolution adopted by the Board of Education of the District on September 28, 2017 (the “**Bond Resolution**”). See “THE REFUNDING BONDS – Authority for Issuance.”

Payment and Registration of the Refunding Bonds. The Refunding Bonds will be dated their date of original issuance and delivery (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple of \$5,000, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC’s book-entry system (“**DTC Participants**”), as described below. Beneficial Owners will not be entitled to

* Preliminary; subject to change.

receive physical delivery of the Refunding Bonds. See “THE REFUNDING BONDS” and APPENDIX F.

Interest on the Refunding Bonds accrues from the Dated Date and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2018. See “THE REFUNDING BONDS – Description of the Refunding Bonds.”

Redemption. The Refunding Bonds are subject to optional redemption prior to maturity and may, at bidder’s option, be subject to mandatory sinking fund redemption, both as described herein. See “THE BONDS – Redemption.”

Security and Sources of Payment for the Refunding Bonds. Following August 1, 2023 (the “**Crossover Date**”), the Refunding Bonds will be general obligation bonds of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* property taxes for the District’s payment of the Refunding Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). Prior to the Crossover Date, interest on the Refunding Bonds is secured by and payable by the District solely from proceeds of the Refunding Bonds deposited into an escrow fund established and funded with proceeds of the Refunding Bonds. See “THE REFINANCING PLAN” and “SECURITY FOR THE REFUNDING BONDS” herein.

The District has other series of general obligation bonds that are payable from *ad valorem* taxes levied on taxable property in the District. For a schedule of the general obligation bonds issued by the District, see “DEBT SERVICE SCHEDULES.” See also “APPENDIX B – GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT – DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations – General Obligation Bonds.”

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Refunding Bonds are available from the District from the Superintendent’s Office at 760 Magnolia Avenue, Piedmont, California 94611, Phone: (510) 594-2600. The District may impose a charge for copying, mailing and handling.

THE REFINANCING PLAN

As described herein, the proceeds of the Refunding Bonds will be used to refund the Series 2006E Bonds, and to pay related costs of issuance.

Crossover Refunding of Series 2006E Bonds. The Series 2006E Bonds are currently outstanding in the aggregate denominational amount of \$11,998,678.35. The Series 2006E Bonds maturing on August 1 in the years 2027 through 2034, inclusive, and 2037 through 2043, inclusive, are subject to optional redemption on August 1, 2023, or any date thereafter, at a price of 100.00% of the principal amount to be redeemed. The 2006 Series E Bonds maturing on August 1 in the years 2035 and 2036 were issued as premium capital appreciation bonds, and are subject to optional redemption on August 1, 2023 at a price of 158.788% and 164.609%, respectively, of the principal amount to be redeemed.

The District expects to issue the Refunding Bonds to fund, on a crossover basis, the redemption price of the outstanding Series 2006E Bonds on the Crossover Date under the optional redemption provisions which are applicable to the Series 2006E Bonds. Proceeds of the Refunding Bonds will also be applied to pay interest coming due and payable on the Refunding Bonds to and including the Crossover Date, as identified in the following table.

A portion of the proceeds of the Refunding Bonds will be applied to pay the costs of issuing the Refunding Bonds. See "SOURCES AND USES OF FUNDS."

PIEDMONT UNIFIED SCHOOL DISTRICT Identification of Series 2006E Bonds*

Maturities to be Redeemed	CUSIP†	Denominational Amount	Accreted Value to be Redeemed	Redemption Date	Redemption Price
2027	720135 MX7	\$490,742.35		08/01/2023	100.000%
2028	720135 MY5	212,731.20		08/01/2023	100.000
2029	720135 MZ2	162,248.00		08/01/2023	100.000
2030	720135 NA6	176,626.00		08/01/2023	100.000
2031	720135 NB4	155,932.45		08/01/2023	100.000
2032	720135 NC2	135,161.35		08/01/2023	100.000
2033	720135 ND0	115,299.60		08/01/2023	100.000
2034	720135 NE8	99,022.00		08/01/2023	100.000
2035	720135 NF5	643,365.50		08/01/2023	158.788
2036	720135 NG3	612,076.55		08/01/2023	164.609
2037	720135 NH1	1,443,927.10		08/01/2023	100.000
2038	720135 NJ7	1,416,730.70		08/01/2023	100.000
2039	720135 NK4	1,388,083.50		08/01/2023	100.000
2040	720135 NL2	1,359,955.35		08/01/2023	100.000
2041	720135 NM0	1,334,790.75		08/01/2023	100.000
2042	720135 NN8	1,313,609.15		08/01/2023	100.000
2043	720135 NP3	938,376.80		08/01/2023	100.000

* Preliminary; subject to change.

† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. Neither the District nor the Purchaser is responsible for the accuracy of such data.

Deposits in Escrow Fund. The Refunding Bonds are being structured as crossover refunding bonds. The District and U.S. Bank National Association, as escrow bank (the “**Escrow Bank**”) will enter into an Escrow Agreement, dated the date of delivery of the Refunding Bonds (the “**Escrow Agreement**”). Under the Escrow Agreement, the Escrow Bank will establish an escrow fund, (the “**Escrow Fund**”). The amounts deposited in the Escrow Fund will be used to purchase certain United States governmental obligations and/or other obligations the timely payment of which is directly or indirectly guaranteed by the full faith and credit of the United States of America.

Prior to the Crossover Date, amounts on deposit in the Escrow Fund will be applied to pay interest due on the applicable series of Refunding Bonds. On the Crossover Date, the funds and investments in the Escrow Fund will be applied to pay the redemption price of the Series 2006E Bonds. Upon delivery of the Refunding Bonds, the Verification Agent (defined herein) will deliver a report of the mathematical accuracy of certain computations relating to the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds which will be deposited into the applicable Escrow Fund for said purposes. See “VERIFICATION OF MATHEMATICAL ACCURACY” herein.

The amounts held by the Escrow Bank under the Escrow Agreement are pledged by the District solely to the District’s payment of the Refunding Bonds prior to the Crossover Date. On the Crossover Date, amounts therein will be applied to pay the redemption price of the Refunded 2006E Bonds. After the Crossover Date, debt service on the Refunding Bonds will be payable from ad valorem property taxes as described herein. See “SECURITY FOR THE REFUNDING BONDS” herein. Except as described herein, the funds deposited in the Escrow Funds will not be available for the payment of debt service on the Refunding Bonds.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Refunding Bonds are as follows:

Sources of Funds

Principal Amount of Refunding Bonds	\$
[Plus]/[Less]: [Net] Original Issue [Premium][Discount]	_____
Total Sources	\$

Uses of Funds

Deposit to Escrow Fund	\$
Costs of Issuance*	_____
Total Uses	\$

*All estimated costs of issuance including, but not limited to, Purchaser’s discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Escrow Agent, the Verification Agent, bond insurance premium (if any), and the rating agencies.

THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds will be issued under the Bond Law and the Bond Resolution.

Description of the Refunding Bonds

Book-Entry Form. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchasers of the Refunding Bonds (the “**Beneficial Owners**”) will not receive physical certificates representing their interest in the Refunding Bonds. Payments of principal of and interest on the Refunding Bonds will be paid by U.S. Bank National Association, Los Angeles, California (the “**Paying Agent**”) to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Refunding Bonds.

As long as DTC's book-entry method is used for the Refunding Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Refunding Bonds called for prepayment or of any other action premised on such notice. See APPENDIX F.

The Paying Agent, the District, and the Purchaser of the Refunding Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Refunding Bonds.

Description of the Refunding Bonds. The Refunding Bonds are being issued as current interest bonds. The Refunding Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Refunding Bonds. See “Book-Entry Only System” below and “APPENDIX F – Book-Entry Only System.”

The Refunding Bonds shall be issued in denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on the Refunding Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2018 (each, an “**Interest Payment Date**”). Each Refunding Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the 15th calendar day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2018, in which event it will bear interest from the Date of Delivery identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Refunding Bond is in default at the time of authentication thereof, such Refunding Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Refunding Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds.

See the maturity schedule on the inside cover page of this Official Statement and "DEBT SERVICE SCHEDULES - Refunding Bonds Debt Service."

Redemption

Optional Redemption. The Refunding Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective maturity dates. The Refunding Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective maturity dates, at the option of the District, on such basis as designated by the District and by lot within a maturity, in each case on any date on and after August 1, 20__, at a redemption price equal to the principal amount of the Refunding Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption*. The Refunding Bonds maturing on August 1, 20__ (the "Term Bonds") shall be subject to mandatory sinking fund redemption on February 1 and on August 1, 20__ and each August 1 thereafter in accordance with the schedule set forth below, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption. If some but not all of such Term Bonds have been optionally redeemed, the aggregate principal amount of such Term Bonds to be redeemed in each year pursuant to this subsection (b) shall be reduced on a pro rata basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the District with the Paying Agent.

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption
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Selection of Refunding Bonds for Redemption. Whenever less than all of the outstanding Refunding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Refunding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, the Refunding Bonds will be deemed to consist of \$5,000 portions (principal amount), and any such portion may be separately redeemed.

Notice of Redemption. The Paying Agent will cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to (i) one or more of the Information Services, and (ii) to the respective Owners of any Refunding Bonds designated for redemption, at their addresses appearing on the Registration Books; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Refunding Bonds.

* Term bonds subject to mandatory sinking fund redemption at bidder's option.

Such notice shall state the redemption date and the redemption price and, if less than all of the then outstanding Refunding Bonds are to be called for redemption, shall designate the serial numbers of the Refunding Bonds to be redeemed by giving the individual number of each Refunding Bond or by stating that all Refunding Bonds between two stated numbers, both inclusive, or by stating that all of the Refunding Bonds of one or more maturities have been called for redemption, and shall require that such Refunding Bonds be then surrendered at the Principal Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Refunding Bonds will not accrue from and after the redemption date.

Partial Redemption. Upon surrender of Refunding Bonds redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the District, a new Refunding Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Refunding Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption shall have been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Refunding Bonds so called for redemption shall have been duly provided, such Refunding Bonds so called shall cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

Right to Rescind Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Refunding Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Refunding Bonds then called for redemption. The District and the Paying Agent shall have no liability to the Refunding Bond Owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of optional redemption was sent.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in APPENDIX F is no longer used with respect to the Refunding Bonds, the following provisions will govern the registration, transfer, and exchange of the Refunding Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Refunding Bonds (the “**Registration Books**”), which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Refunding Bonds.

Transfer. Any Refunding Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Refunding Bond or Refunding Bonds are surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Refunding Bond or Refunding Bonds, for like aggregate principal amount. No transfers will be required to be made (a) 15 days prior to a date established for selection of Refunding Bonds for redemption and (b) with respect to a Refunding Bond that has been selected for redemption.

Exchange. Refunding Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Refunding Bonds of authorized denominations and of the same maturity. The District may charge a reasonable sum for each new Refunding Bond issued upon any exchange. No exchanges will be required to be made (a) 15 days prior to a date established for selection of Refunding Bonds for redemption and (b) with respect to a Refunding Bond that has been selected for redemption.

Defeasance

The Refunding Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Refunding Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Refunding Bonds; or
- (c) by delivering such Refunding Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Refunding Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Refunding Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Refunding Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Refunding Bonds

to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Refunding Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any Outstanding Refunding Bond (whether upon or prior to its maturity or the redemption date of such Refunding Bond), provided that, if such Refunding Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Refunding Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Refunding Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of the Bond Resolution regarding the payment of Refunding Bonds after discharge shall apply in all events.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

DEBT SERVICE SCHEDULES

Refunding Bonds Debt Service. The following table shows the annual debt service schedule with respect to the Refunding Bonds (assuming no optional redemption thereof prior to maturity).

PIEDMONT UNIFIED SCHOOL DISTRICT Debt Service Schedule 2017B General Obligation Refunding Bonds

Period Ending (August 1)	Principal	Interest	Annual Debt Service
<hr/>			
Total	<hr/>		

Combined General Obligation Debt Service Schedule. In addition to the Refunding Bonds described herein, the District has issued other series of general obligation bonds which are currently outstanding. The following table shows the combined debt service schedule for outstanding general obligation bonds of the District, assuming no optional redemptions. See also APPENDIX B under the heading “DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations – General Obligation Bonds” for additional information.

**PIEDMONT UNIFIED SCHOOL DISTRICT
Combined Debt Service Schedule**

Period Ending (Aug. 1)	Election of 2006, Series D Bonds (1)	Election of 2006, Series E Bonds	Election of 2006, Series E Bonds (2)	2014 Refunding Bonds	2015 Refunding Bonds	Series 2017A Bonds	2017 Refunding Bonds	2017B Refunding Bonds	Aggregate Annual Debt Service
2018	\$575,000.00	\$2,312,350.00	--	\$1,042,850.00	\$606,050.00	\$3,629,650.00	\$651,575.00		
2019	575,000.00	--	--	2,333,850.00	1,075,050.00	3,157,150.00	651,575.00		
2020	575,000.00	--	--	2,441,100.00	1,134,450.00	1,172,150.00	651,575.00		
2021	575,000.00	--	--	--	1,200,650.00	941,150.00	651,575.00		
2022	575,000.00	--	--	--	1,266,400.00	941,150.00	651,575.00		
2023	575,000.00	--	--	--	1,352,150.00	1,011,150.00	651,575.00		
2024	575,000.00	--	--	--	1,426,650.00	1,047,650.00	651,575.00		
2025	575,000.00	--	--	--	1,535,450.00	1,082,150.00	651,575.00		
2026	10,575,000.00	--	--	--	1,648,250.00	1,119,650.00	651,575.00		
2027	--	--	\$1,015,000.00	--	1,748,050.00	1,159,900.00	651,575.00		
2028	--	--	480,000.00	--	1,858,650.00	1,202,650.00	1,366,575.00		
2029	--	--	400,000.00	--	1,974,600.00	1,242,650.00	1,515,825.00		
2030	--	--	470,000.00	--	2,100,600.00	1,284,900.00	1,510,825.00		
2031	--	--	445,000.00	--	2,101,200.00	1,329,150.00	1,753,825.00		
2032	--	--	415,000.00	--	--	1,380,150.00	4,395,387.50		
2033	--	--	380,000.00	--	--	1,427,400.00	4,673,200.00		
2034	--	--	350,000.00	--	--	1,475,900.00	4,960,800.00		
2035	--	--	5,650,000.00	--	--	1,525,400.00	--		
2036	--	--	5,935,000.00	--	--	1,580,650.00	--		
2037	--	--	6,230,000.00	--	--	1,636,150.00	--		
2038	--	--	6,545,000.00	--	--	1,691,650.00	--		
2039	--	--	6,870,000.00	--	--	1,751,900.00	--		
2040	--	--	7,215,000.00	--	--	1,811,400.00	--		
2041	--	--	7,575,000.00	--	--	1,878,200.00	--		
2042	--	--	7,955,000.00	--	--	1,945,200.00	--		
2043	--	--	6,065,000.00	--	--	2,012,200.00	--		
2044	--	--	--	--	--	2,079,000.00	--		
2045	--	--	--	--	--	2,155,400.00	--		
2046	--	--	--	--	--	2,230,800.00	--		
TOTAL	\$15,175,000.00	\$2,312,350.00	\$63,995,000.00	\$6,177,800.00	\$21,028,200.00	\$46,902,500.00	\$26,692,187.50		

(1) The Series D Bonds are Qualified School Construction Bonds and the District receives a subsidy from the federal government for a portion of each interest payment on the Series D Bonds. Debt service shown represent gross debt service, which is not net of the federal subsidy payment. In addition, the County collects an amount each year that is set aside in a sinking fund, to be applied to the final maturity of the Series D Bonds on 5/1/2026.

(2) For purposes of presentation in this Preliminary Official Statement, the combined debt service table does not assume refunding of the Series 2006E Bonds as described under “THE FINANCING PLAN- The Refunding Bonds.”

SECURITY FOR THE REFUNDING BONDS

Ad Valorem Taxes

Refunding Bonds Payable from Ad Valorem Property Taxes. The Refunding Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Refunding Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Refunding Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Other Bonds Payable from Ad Valorem Property Taxes. The District has previously issued other general obligation bonds, which are payable from *ad valorem* taxes on a parity basis. In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See “PROPERTY TAXATION – Direct and Overlapping Debt” below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Refunding Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Refunding Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. See “– Teeter Plan; Property Tax Collections” below.

Statutory Lien on Ad Valorem Tax Revenues. Pursuant to Senate Bill 222 effective January 1, 2016, voter approved general obligation bonds which are secured by *ad valorem* tax collections, including the Refunding Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service the Refunding Bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Refunding Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Refunding Bonds. Fluctuations in the annual debt service on the Refunding Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Fund

The County will establish a Debt Service Fund (the "**Debt Service Fund**") for the Refunding Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Refunding Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Refunding Bonds when and as the same become due. The District will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Refunding Bonds as the same becomes due and payable.

If, after payment in full of the Refunding Bonds, any amounts remain on deposit in a Debt Service Fund, the District shall transfer such amounts to its General Fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Refunding Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal and interest on the Refunding Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Refunding Bonds, the Refunding Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The “secured roll” is that part of the assessment roll containing (1) state assessed public utilities’ property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. 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 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 record 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 or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (“SBE”) and taxed locally.

Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as “unitary property”, a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and “operating nonunitary” property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Historic 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, as described above. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see APPENDIX B under the heading “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.”

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.

PIEDMONT UNIFIED SCHOOL DISTRICT Assessed Valuations of All Taxable Property Fiscal Years 2004-05 to 2017-18

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2004-05	\$2,216,839,781	\$4,232,666	\$2,221,072,447	--
2005-06	2,405,669,823	4,472,975	2,410,142,798	8.5%
2006-07	2,588,754,716	4,758,429	2,593,513,145	7.6
2007-08	2,774,434,485	4,684,478	2,779,188,963	7.2
2008-09	2,926,864,211	3,922,696	2,930,786,907	5.5
2009-10	3,013,260,726	3,866,636	3,017,147,362	2.9
2010-11	3,014,094,145	3,700,715	3,017,794,860	0.0
2011-12	3,081,529,298	3,428,903	3,084,958,201	2.2
2012-13	3,200,144,235	3,284,951	3,203,429,186	3.8
2013-14	3,378,910,933	3,558,461	3,382,469,394	5.6
2014-15	3,547,898,410	4,521,255	3,552,419,665	5.0
2015-16	3,840,794,553	5,141,847	3,845,936,400	8.3
2016-17	4,059,401,036	5,637,996	4,065,039,032	5.7
2017-18	4,280,632,412	5,380,452	4,286,012,864	5.4

Source: California Municipal Statistics, Inc.

With respect to droughts specifically, the State of California has faced water shortfalls in recent years. Recent drought-related events include a declaration of drought emergency by the California State Governor on January 17, 2014 and subsequent conservation orders and regulations imposed by the Governor and California State Water Resources Control Board. Following a series of storms in California bringing record-level precipitation in late 2016 and early 2017, on April 7, 2017, the Governor declared an end to the statewide drought emergency with the exception of Fresno, Kings, Tulare and Tuolumne counties, where emergency drinking water projects will continue to help address diminished groundwater

supplies. Notwithstanding the improved water conditions, the District cannot predict or make any representations regarding the effects that the recent drought and related conditions had or may have on the value of taxable property within the District, or to what extent the effects the recent drought may have had on economic activity in the District.

Parcels by Land Use

The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2017-18.

PIEDMONT UNIFIED SCHOOL DISTRICT 2017-18 Assessed Valuation and Parcels by Land Use

	2017-18 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	\$14,434,175	0.34%	12	0.30%
Vacant Commercial	13,726	0.00	1	0.03
Government/Social/Institutional	66,116	0.00	52	1.30
Subtotal Non-Residential	\$14,514,017	0.34%	65	1.63%
Residential:				
Single Family Residence	\$4,203,722,535	98.20%	3,816	95.45%
2-4 Residential Units	33,830,341	0.79	36	0.90
5+ Residential Units/Apartments	11,360,609	0.27	7	0.18
Vacant Residential	17,204,910	0.40	74	1.85
Subtotal Residential	\$4,266,118,395	99.66%	3,933	98.37%
Total	\$4,280,632,412	100.00%	3,998	100.00%

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

Per Parcel Assessed Valuation of Single-Family Homes

The following table sets forth the per parcel assessed valuation of single-family homes in fiscal year 2017-18.

PIEDMONT UNIFIED SCHOOL DISTRICT Per Parcel 2017-18 Assessed Valuation of Single Family Homes

	<u>No. of Parcels</u>	<u>2017-18 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	3,816	\$4,203,722,535	\$1,101,604	\$896,162

<u>2017-18 Assessed Valuation</u>	<u>No. of Parcels ⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$99,999	217	5.687%	5.687%	\$ 15,028,702	0.358%	0.358%
\$100,000 - \$199,999	321	8.412	14.099	47,326,631	1.126	1.483
\$200,000 - \$299,999	192	5.031	19.130	47,637,315	1.133	2.617
\$300,000 - \$399,999	190	4.979	24.109	66,478,086	1.581	4.198
\$400,000 - \$499,999	217	5.687	29.796	97,721,775	2.325	6.523
\$500,000 - \$599,999	190	4.979	34.775	104,250,823	2.480	9.003
\$600,000 - \$699,999	216	5.660	40.435	140,708,456	3.347	12.350
\$700,000 - \$799,999	184	4.822	45.257	137,298,840	3.266	15.616
\$800,000 - \$899,999	190	4.979	50.36	161,999,155	3.854	19.470
\$900,000 - \$999,999	216	5.660	55.896	204,902,056	4.874	24.344
\$1,000,000 - \$1,099,999	210	5.503	61.399	220,747,071	5.251	29.595
\$1,100,000 - \$1,199,999	147	3.852	65.252	169,335,670	4.028	33.623
\$1,200,000 - \$1,299,999	154	4.036	69.287	191,929,501	4.566	38.189
\$1,300,000 - \$1,399,999	113	2.961	72.248	152,301,266	3.623	41.812
\$1,400,000 - \$1,499,999	130	3.407	75.655	188,560,179	4.486	46.298
\$1,500,000 - \$1,599,999	114	2.987	78.643	176,239,467	4.192	50.490
\$1,600,000 - \$1,699,999	93	2.437	81.080	153,389,049	3.649	54.139
\$1,700,000 - \$1,799,999	69	1.808	82.888	120,694,179	2.871	57.010
\$1,800,000 - \$1,899,999	76	1.992	84.879	140,638,211	3.346	60.356
\$1,900,000 - \$1,999,999	72	1.887	86.766	139,966,870	3.330	63.685
\$2,000,000 and greater	505	13.234	100.000	1,526,569,233	36.315	100.000
Total	3,816	100.000%		\$4,203,722,535	100.000%	

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

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" in APPENDIX B.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most

cases, the appeal is filed because the applicant believes that present market conditions (such as residential home 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. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, 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.

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.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Refunding Bonds to increase accordingly, so that the fixed debt service on the Refunding Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a representative tax rate area (TRA 18-000) during fiscal years 2013-14 through 2017-18.

PIEDMONT UNIFIED SCHOOL DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation
(TRA 18-000)
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Countywide	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Piedmont Unified School District Bonds	.1590	.1468	.1440	.1243	.1939
Peralta Community College District Bonds	.0419	.0412	.0337	.0256	.0310
Bay Area Rapid Transit District	.0075	.0045	.0026	.0080	.0084
East Bay Regional Park District	.0078	.0085	.0067	.0032	.0021
East Bay Municipal Utility District, Special District 1	.0066	.0047	.0034	.0028	.0011
Total Tax Rate	\$1.2228	\$1.2057	\$1.1904	\$1.1639	\$1.2365

Source: California Municipal Statistics, Inc.

Teeter Plan; Property Tax Collections

The following table shows secured tax charges and delinquencies for secured property in the District with respect to the District's levy for debt service on outstanding general obligation bonds. Secured property taxes not relating to the 1% general fund apportionment (which is provided for under the County's Teeter Plan described below) which are collected by the County are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when the secured property taxes are actually collected.

PIEDMONT UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquencies Fiscal Years 2007-08 through 2016-17

<u>Fiscal Year</u>	<u>Secured Tax Charge ⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
2007-08	\$2,384,932	\$29,743	1.25%
2008-09	3,105,121	47,985	1.55
2009-10	4,370,349	60,883	1.39
2010-11	3,932,633	32,983	0.84
2011-12	4,689,831	52,223	1.11
2012-13	4,850,293	53,141	1.10
2013-14	5,338,434	39,654	0.74
2014-15	5,182,137	50,532	0.98
2015-16	5,511,260	53,934	0.98
2016-17	5,015,423	38,028	0.76

*(1) General obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.*

For the District's share of the 1% general fund apportionment, the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**") as provided for in the State Revenue and Taxation Code, which requires the County to pay 100% of such secured property taxes due to local agencies in the fiscal year such taxes are due. Pursuant to these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies for the 1% general fund apportionment if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due to delinquent payments. This method of tax collection and distribution is subject to future discontinuance at the County's option or if demanded by the participating taxing agencies.

Because the County does not participate in the Teeter Plan with respect to tax levies for debt service, secured property taxes actually collected for such purpose are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when such secured property taxes are actually collected. As a consequence, the District's receipt of taxes levied for its general obligation bonds, including the Refunding Bonds, is subject to delinquencies, as shown in the table above.

Top Twenty Property Owners

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2017-18. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

PIEDMONT UNIFIED SCHOOL DISTRICT Largest 2017-18 Local Secured Taxpayers

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2017-18 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1. Bill Vuylsteke Trust	Residence	\$ 13,913,796	0.33%
2. Lipbu and Loo Ysa Tan, Trustees	Residence	11,014,559	0.26
3. Derek G. and Rachel J. Benham, Trustees	Residence	9,596,701	0.22
4. Arun and Rummi Sarin, Trustees	Residence	8,848,052	0.21
5. Delanie S. and James P. Read, Jr. Trust	Residence	8,661,167	0.20
6. Weston J. and Lisa H. Settlemier, Trustees	Residence	7,532,247	0.18
7. Yu J. Zhen and Levente T. Lacazy, Trustees	Residence	7,053,300	0.16
8. Michael R. Laufer and Carolyn K. Cahill, Trustees	Residence	7,034,624	0.16
9. Jacky and Kitty Li, Trustees	Residence	7,023,281	0.16
10. Techne Inc.	Residence	6,925,967	0.16
11. Beth Pennington Trust	Residence	6,865,560	0.16
12. Michael and Elyse O'Sullivan, Trustees	Residence	6,601,762	0.15
13. Aric M. Shalev and April J. Gruber	Residence	6,601,499	0.15
14. Grace S. and Michael K. Park	Residence	6,499,468	0.15
15. David S. and Heather A. Ruegg, Trustees	Residence	6,300,000	0.15
16. Wayne D. and Delaney Jordan, Trustees	Residence	6,296,657	0.15
17. Jennifer Kheng Trust	Residence	6,200,000	0.14
18. Wildwood Avenue LLC	Residence	5,985,447	0.14
19. Guy T. and Jeanine E. Saperstein, Trustees	Residence	5,895,677	0.14
20. Jerry M. and Janis C. Kennelly, Trustees	Residence	5,857,809	0.14
		<u>\$150,707,573</u>	<u>3.52%</u>

(1) 2017-18 Local Secured Assessed Valuation: \$4,280,632,412.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. for debt issued as of September 1, 2017. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

PIEDMONT UNIFIED SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt (Debt Issued as of September 1, 2017)

2017-18 Assessed Valuation: \$4,286,012,864

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/17</u>
Bay Area Rapid Transit District	0.616%	\$ 5,160,971
Peralta Community College District	4.421	16,807,316
Piedmont Unified School District	100.000	88,773,678⁽¹⁾
East Bay Municipal Utility District, Special District No. 1	4.116	144,677
East Bay Regional Park District	0.963	1,102,539
City of Piedmont 1915 Act Bonds	95.208-100.	4,085,105
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$116,074,286
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County General Fund Obligations	1.581%	\$13,545,099
Alameda County Pension Obligation Bonds	1.581	438,245
Alameda-Contra Costa Transit District Certificates of Participation	1.872	258,242
Peralta Community College District Pension and Benefit Obligation Bonds	4.421	6,805,875
City of Piedmont Pension Obligation Bonds	100.000	3,779,000
TOTAL OVERLAPPING GENERAL FUND DEBT		\$24,826,461
 COMBINED TOTAL DEBT		\$140,900,747⁽²⁾

Ratios to 2017-18 Assessed Valuation:

Direct Debt (\$88,773,678)	2.07%
Total Direct and Overlapping Tax and Assessment Debt	2.71%
Combined Total Debt	3.29%

(1) Excludes the Refunding Bonds offered for sale hereunder.

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

Source: California Municipal Statistics, Inc.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as APPENDIX E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an “**Annual Report**”) not later than nine months after the end of the District’s fiscal year (which currently is June 30), commencing March 31, 2018 with the report for the 2016-17 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in APPENDIX E. These covenants have been made in order to assist the Purchaser with complying with S.E.C. Rule 15c2-12(b)(5) (the “**Rule**”).

The District has prior undertakings pursuant to the Rule. In the previous five years, specific instances of non-compliance with prior undertakings include: (1) top taxpayer and tax rate information was not included in each annual report although such information was required pursuant to certain undertakings, and (2) certain event notice filings were not filed timely, including a notice of defeasance and notices of insured rating changes. Such filings have since been made. Identification of such instances of non-compliance does not constitute a representation that such non-compliance was material. [DISCUSS ANY UPDATES]

The District has engaged its municipal advisor, KNN Public Finance, LLC, to serve as its dissemination agent with respect to prior undertakings, as well the undertaking to be entered into with respect to the Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Refunding Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Series 2006E Bonds and (b) the “yields” on the amount of proceeds held and invested prior to redemption of the Series 2006E Bonds and on the Refunding Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Refunding Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

CERTAIN LEGAL MATTERS

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Refunding Bonds, and a certificate to that effect, executed by an authorized officer of the District, will be furnished to purchasers at the time of the original delivery of the Refunding Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Refunding Bonds.

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

Legal Opinion

The proceedings in connection with the issuance of the Refunding Bonds are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel for the District ("**Bond Counsel**"). The opinion of Bond Counsel with respect to the Refunding Bonds will be delivered in substantially the form attached hereto as APPENDIX D. Certain legal matters will also be passed upon for the District by Jones Hall, A Professional Law Corporation, as Disclosure Counsel ("**Disclosure Counsel**"), and for the Purchaser by _____ as counsel to the Purchaser ("**Purchaser's Counsel**"). The fees of Bond Counsel, Disclosure Counsel, and Purchaser's Counsel are contingent upon the issuance and delivery of the Refunding Bonds.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Refunding Bonds. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Refunding Bonds.

Tax Treatment of Original Issue Discount and Premium. The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied

subsequent to the issuance of the Refunding Bonds. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Refunding Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Refunding Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "**original issue discount**" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Refunding Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "**original issue premium**" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Refunding Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Refunding Bonds who purchase the Refunding Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Refunding Bond (said term being the shorter of the Refunding Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Refunding Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Refunding Bond is amortized each year over the term to maturity of the Refunding Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Refunding Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Refunding Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Refunding Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Refunding Bonds. Prospective purchasers of the Refunding Bonds should consult their own tax

advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

California Tax Status. In the further opinion of Bond Counsel, interest on the Refunding Bonds is exempt from California personal income taxes.

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

Other Tax Considerations. Owners of the Refunding Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Refunding Bonds other than as expressly described above.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

COMPETITIVE SALE OF BONDS

The Refunding Bonds were sold pursuant to a competitive bidding process held on December 12, 2017 pursuant to the terms set forth in an Official Notices of Sale with respect to the Bonds.

The Bonds were awarded to _____ (the "**Purchaser**"), whose proposal represented the lowest true interest cost for the Refunding Bonds as determined in accordance with the Official Notice of Sale. The Purchaser has agreed to purchase the Refunding Bonds at a price of \$_____, which is equal to the initial principal amount of the Refunding Bonds of \$_____ plus an original issue premium of \$_____, less a Purchaser's discount of \$_____. The Purchaser intends to offer the Refunding Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Purchaser may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Purchaser.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of such documents are available upon written request to the District.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District. The District may impose charges for copying, mailing and handling.

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

EXECUTION

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

PIEDMONT UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDING JUNE 30, 2016**

APPENDIX B

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

The information in this and other sections concerning the District's operations and operating budget 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 Refunding Bonds is payable from the General Fund of the District. The Refunding Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE REFUNDING BONDS" in the front half of the Official Statement.

GENERAL INFORMATION DISTRICT GENERAL INFORMATION

General Information

The District is located in Alameda County in the San Francisco Bay Area and serves the residents of the City of Piedmont, an area of approximately 1.8 square miles with a population of approximately 11,283. The District was created in 1920 and unified in 1936 and has enrollment for fiscal year 2017-18 of approximately _____ students who attend the District's schools. The District operates three elementary schools containing grades K-5, one middle school with grades 6-8, one traditional high school, one alternative high school and one adult education school.

Administration

Board of Education. The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between two and three available positions. Current members of the Board of Education, together with their office and the date their term expires, are listed below.

BOARD OF EDUCATION Piedmont Unified School District

Name	Position	Term Expires
Sarah Pearson	President	December 2020
Amal Smith	Vice President	December 2018
Doug Ireland	Clerk	December 2018
Cory Smegal	Member	December 2020
Andrea Swenson	Member	December 2020

Superintendent and Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Randall Booker is the District Superintendent and Song Chin-Bendib is the Assistant Superintendent, Business Services.

Recent Enrollment Trends

The following table shows recent enrollment history for the District with projections for fiscal year 2017-18.

ANNUAL ENROLLMENT Fiscal Years 2009-10 through 2017-18⁽¹⁾ Piedmont Unified School District

School Year	Enrollment	% Change
2009-10	2,554	--
2010-11	2,559	0.1%
2011-12	2,552	1.7
2012-13	2,605	(0.3)
2013-14	2,644	(2.9)
2014-15	2,706	(2.0)
2015-16	2,708	0.1
2016-17	2,692	(0.6)
2017-18 ⁽¹⁾		

(1) Estimation/Projection provided by the District.

Source: California Department of Education, Educational Demographics Unit, except 2017-18 data.

Employee Relations

The District has 194.5 certificated, 129.2 classified, and 20.40 management full-time equivalent positions. Two unions represent District employees. The following table identifies the number of employees covered and the current status of the contracts with the bargaining units. The District has not experienced any recent work disputes with employees or any work-related disruptions.

BARGAINING UNITS Piedmont Unified School District

Bargaining Unit	Type of Employees Covered	Current Contract Expiration Date
Association of Piedmont Teachers	Certificated	June 30, 20__
California School Employees' Assn.	Classified	June 30, 20__

Source: Piedmont Unified School District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, 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 grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.
- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and will be phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, 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.

Based on revenue projections, districts will reach what is referred to as "full funding" in eight years, being fiscal year 2020-21. This projection assumes that the State's economy will improve each year; if the economy falters it could take longer to reach full funding.

The target LCFF amounts for State school districts and charter schools based on grade levels and Targeted Students is shown below.

Grade Span Funding at Full LCFF Implementation (Target Amount)

Grade Span	Base Grant⁽¹⁾	K-3 Class Size Reduction and 9-12 Adjustments	Average Assuming 0% Targeted Students	Average Assuming 25% Targeted Students	Average Assuming 50% Targeted Students	Average Assuming 100% Targeted Students
K-3	\$6,845	\$712	\$7,557	\$7,935	\$8,313	\$10,769
4-6	6,947	N/A	6,947	7,294	7,642	9,899
7-8	7,154	N/A	7,154	7,512	7,869	10,194
9-12	8,289	\$216	8,505	8,930	9,355	12,119

(1) Does not include adjustments for cost of living.

Source: California Department of Education.

The new legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, adjusted for changes in ADA.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board (“**GASB**”) published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2016 Audited Financial Statements were prepared by Vavrinek, Trine, Day & Co., Pleasanton, California and are attached to the Official Statement as APPENDIX A. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent of Business Services, Piedmont Unified School District, 760 Magnolia Avenue, Piedmont, California 94611; telephone (510) 594-2600. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for the fiscal years 2011-12 through 2015-16.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2011-12 through 2015-16 (Audited)⁽¹⁾
Piedmont Unified School District

	Audited 2011-12	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16
Revenues					
Revenue limit sources/LCFF ⁽¹⁾	\$13,399,642	\$13,558,297	\$16,178,447	\$17,903,647	\$19,621,472
Federal revenues	782,685	792,965	690,828	686,611	706,432
Other state revenues	3,481,984	3,595,771	2,441,490	2,004,477	7,343,312
Other local revenues	14,258,198	14,014,986	14,530,770	15,119,825	15,614,860
Total Revenues	31,922,509	31,962,019	33,841,535	35,714,560	43,286,076
Expenditures					
Instruction	20,948,515	22,714,477	24,472,011	24,936,425	26,148,272
Instruction-related activities:					
Supervision of instruction	625,461	641,991	660,180	631,239	841,954
Library, media and technology	435,506	465,865	491,335	545,697	541,128
School sites administration	2,748,044	2,071,659	1,945,848	3,938,003	5,677,917
Pupil services:					
Home-to-school transportation	58,364	59,498	94,716	118,179	162,859
Food services	--	1,050	2,085	--	--
All other pupil services	1,304,662	1,282,107	1,186,069	1,627,255	1,867,620
General Administration:					
Data processing	270,345	266,054	343,081	308,486	807,114
All other general admin.	1,705,207	1,769,557	1,706,500	1,876,649	2,017,335
Plant services	2,495,495	2,641,886	2,633,801	2,879,642	3,020,788
Facility acquisition, construction	55,446	13,725	44,883	353,610	174,939
Ancillary services	292,111	329,909	317,240	453,363	525,270
Debt service: principal	--	--	--	--	--
Total Expenditures	30,939,156	32,257,778	33,897,749	37,668,548	41,785,196
Excess of Revenues Over/(Under) Expend.	983,353	(295,759)	(56,214)	(1,953,988)	1,500,880
Other Financing Sources (Uses)					
Operating transfers in	--	--	--	--	--
Operating transfers out	(48,473)	(50,000)	(50,000)	(60,000)	(60,000)
Total Other Fin. Source(Uses)	(48,473)	(50,000)	(50,000)	(60,000)	(60,000)
Net change in fund balance	934,880	(345,759)	(106,214)	(2,013,988)	1,440,880
Fund Balance, July 1⁽²⁾	4,745,188	5,680,068	5,334,309	5,228,095	3,214,107
Fund Balance, June 30⁽³⁾	\$5,680,068	\$5,334,309	\$5,228,095	\$3,214,107	\$4,654,987

(1) Local Control Funding Formula commenced in fiscal year 2013-14.

(2) The District's prior year fund balance for the General Fund has been restated as of June 30, 2011, to conform to GASB Statement No. 54's definition of governmental funds.

(3) Ending balances presented in audited financial statements include all governmental funds on a combined basis (General Fund, Adult Education, Deferred Maintenance, and Special Reserves).

Source: Piedmont Unified School District Audit Reports.

District Budget and Interim Financial Reporting

Budgeting – Education Code Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“**AB 1200**”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district must be on a single budget cycle. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1. *Revise to reflect AB 2585.*

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before September 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent’s recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent’s recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than November 8, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budgets have been disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent’s recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district’s budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Certifications Regarding Ability to Meet Financial Obligations. Under the provisions of AB 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 Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial

obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 760 Magnolia Avenue, Piedmont, California 94611; telephone (510) 594-2600. The District may impose a charge for copying, mailing and handling.

District's Fiscal Year 2016-17 Unaudited Actuals and Fiscal Year 2017-18 Budget.

The following table shows the income and expense statements for the District for fiscal year 2016-17 (unaudited actuals) and fiscal year 2017-18 (adopted budget).

**GENERAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Fiscal Year 2016-17 (Unaudited Actuals);
Fiscal Year 2017-18 (Adopted Budget)⁽¹⁾
Piedmont Unified School District**

	Unaudited Actuals Fiscal Year 2016-17	Adopted Budget Fiscal Year 2017-18
<u>Revenues</u>		
LCFF Sources ⁽²⁾	\$20,239,606	\$20,757,618
Federal Revenues	704,676	671,947
Other State Revenues	3,168,022	2,108,574
Other Local Revenues	15,287,111	15,051,361
Total Revenues	39,399,416	38,589,500
<u>Expenditures</u>		
Certificated Salaries	18,115,179	18,060,648
Classified Salaries	5,622,493	5,743,272
Employee Benefits	10,304,214	10,219,990
Books and Supplies	1,453,010	1,369,038
Contract Services & Operating Exp.	4,209,242	4,013,864
Capital Outlay	194,682	41,000
Other outgo (Excluding Indirect Costs)	--	--
Other outgo – Transfers of Indirect Costs	(120,000)	(120,000)
Total Expenditures	39,778,819	39,327,812
Excess of Revenues Over/(Under) Expenditures	(379,403)	(738,312)
<u>Other Financing Sources (Uses)</u>		
Operating Transfers in	--	193,588
Operating Transfers out	(55,000)	(50,000)
Other Sources (Uses)	--	--
Total Other Financing Sources (Uses)	(55,000)	143,588
Net Change in Fund Balance	(434,403)	(594,724)
Fund Balance, July 1	2,969,511	2,535,108
Fund Balance, June 30	\$2,535,108	\$1,940,384

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

(2) LCFF commenced in fiscal year 2013-14.

Source: *Piedmont Unified School District.*

District Reserves. In general, the State requires that the California school districts maintain the equivalent of 3% of annual general fund expenditures in reserve to be available during financial crisis. The District has historically had an unrestricted reserve in excess of the 3% minimum requirement.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("**SB 858**"), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum

recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

In August of 2015, Senate Bill 799 ("**SB 799**") was introduced into the State Senate in response to SB 858 proposing reforms to the reserve cap. SB 799 proposes a cap on unassigned reserves and special reserves for other than capital outlay of seventeen percent, with exemptions from the cap for school districts with less than 2,500 average daily attendance and basic aid districts. The District cannot predict how SB 858, or SB 799 if enacted, will impact its reserves and future spending.

Attendance - Revenue Limit and LCFF Funding

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance ("**ADA**"). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth LCFF funding for the District for fiscal years 2013-14 through 2017-18 (Projected).

AVERAGE DAILY ATTENDANCE AND STATE FUNDING UNDER LCFF Fiscal Years 2013-14 and 2017-18 Piedmont Unified School District

Fiscal Year	ADA	LCFF Entitlement Per ADA⁽¹⁾
2013-14	2,557	\$6,291
2014-15	2,631	6,761
2015-16	2,633	7,393
2016-17	2,607	7,711
2017-18 ⁽²⁾		

(1) Funding per ADA represents an average across grade spans.

(2) Projection.

Source: Piedmont Unified School District.

The unduplicated count of the District's students which are low-income, English learners and/or foster youth is approximately ____% in fiscal year 2017-18 for purposes of determining supplemental and concentration grant funding under LCFF.

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under Every Student Succeeds Act, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

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 instruction material.

For additional discussion of State aid to school districts, see "-State Funding of Education."

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

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS 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 either the District or the Purchaser.*

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years are set forth in the following table.

STRS EMPLOYER CONTRIBUTIONS Fiscal Years 2011-12 through 2017-18 Piedmont Unified School District

Fiscal Year	Amount
2011-12	\$1,200,819
2012-13	1,242,104
2013-14	1,167,289
2014-15	1,361,235
2015-16	1,826,227
2016-17 ⁽¹⁾	3,689,696
2017-18 ⁽²⁾	3,611,289

(1) Estimated Actuals.

(2) Budgeted.

Source: Piedmont Unified School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$96.7 billion as of June 30, 2016 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.25% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2014-15 and 2015-16 were 8.88% and 10.73%, respectively. Projected employer contribution rates for school districts

(including the District) for fiscal year 2017-18 through fiscal year 2020-21 are set forth in the following table.

PROJECTED EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2017-18 through 2020-21

Fiscal Year	Projected Employer Contribution Rate⁽¹⁾
2017-18	14.43%
2018-19	16.28
2019-20	18.13
2020-21	19.10

(1) Expressed as a percentage of covered payroll.
Source: AB 1469

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the “Schools Pool.” Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District’s employer contributions to PERS for recent fiscal years are set forth in the following table.

PERS EMPLOYER CONTRIBUTIONS
Fiscal Years 2011-12 through 2017-18
Piedmont Unified School District

Fiscal Year	Amount
2011-12	\$483,401
2012-13	513,200
2013-14	497,611
2014-15	581,047
2015-16	622,624
2016-17 ⁽¹⁾	764,688
2017-18 ⁽²⁾	821,802

(1) Estimated Actual.
(2) Budgeted.
Source: Piedmont Unified School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$21.8 billion as of June 30, 2016 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2016, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2014-15 and 2015-16 were 11.771% and 11.847%, respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2017-18 through fiscal year 2020-21 are set forth in the following table.

PROJECTED EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2017-18 through 2020-21⁽¹⁾

Fiscal Year	Projected Employer Contribution Rate ⁽²⁾
2017-18	15.531%
2018-19	18.100
2019-20	20.800
2020-21	23.800

(1) Rates were estimated by PERS in 2016. The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.

(2) Expressed as a percentage of covered payroll.

Source: PERS

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be

increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPR, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPR, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information. Additional information regarding the District's retirement programs is available in Note 7 to the District's audited financial statements attached hereto as APPENDIX A. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Purchaser for accuracy or completeness.*

Other Post-Employment Retirement Benefits

The Piedmont Unified School District Postemployment Benefits Plan (the "**Plan**") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan as of June 30, 2016 was 88 retirees and beneficiaries currently receiving benefits and 318 active plan members.

Contribution Information. The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2015-16, the District annual required contribution was \$431,171 and the District contributed \$392,680 to the plan, all of which was used for current premiums (approximately 91% of current year's annual required contributions).

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit ("**OPEB**") cost is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined in accordance with the parameters of Government Accounting Standards Board Statement No. 45 ("**GASB 45**"). GASB 45 requires local government employers who provide OPEB as part of the compensation offered to employees to recognize the expense and related liabilities and assets in their financial statements.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities ("**UAAL**") over a period not to exceed thirty years. The following table shows the components of the

District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

OPEB COMPONENTS FOR FISCAL YEAR 2015-16
Piedmont Unified School District

Annual required contribution	<u>\$431,171</u>
Annual OPEB cost (expense)	431,171
Contributions made	<u>(392,680)</u>
Increase in net OPEB obligation	38,491
Net OPEB obligation, beginning of year	<u>106,293</u>
Net OPEB obligation, end of year	<u>\$144,784</u>

Source: Piedmont Unified School District Audited Financial Statement for Fiscal Year 2015-16.

Trend Information. The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Actual Contribution	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$444,915	\$456,190	98%	\$10,195
June 30, 2015	401,960	498,058	81	106,293
June 30, 2016	392,680	431,171	91	144,784

Source: Piedmont Unified School District Audited Financial Statement for Fiscal Year 2016-16.

OPEB Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long- term perspective of the calculations.

In the September 1, 2015, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.5% investment rate of return, (net of administrative expenses). The healthcare cost trend rate was 4.00% until reaching the ultimate trend. The UAAL is being amortized at a level percentage with payroll assuming a 2.75% annual increase in payroll. The remaining amortization period at September 1, 2015, was 25 years. The actuarial value of assets was not determined in this actuarial valuation. Currently, the District is considered to be an unfunded plan since there are no assets and retiree benefits are paid

annually on a cash basis.

Insurance

Property and Liability. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District contracted with Alameda County Schools Insurance Group (“**ACSIG**”) for property and liability insurance coverage. Extended property and liability coverage was provided by NorCal Relief. Settled claims have not exceeded this commercial coverage in any of the past 3 years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation. For fiscal year 2015-16, the District participated in the ACSIG, an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participating school district. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG. Participation in the ACSIG is limited to districts that can meet the ACSIG selection criteria.

Coverage provided by ACSIG, NorCal Relief, and Schools Association for Excess Risk for property and liability and workers is as follows:

PIEDMONT UNIFIED SCHOOL DISTRICT Insurance Summary

Insurance Program / Company Name	Type of Coverage	Limits
Alameda County Schools Insurance Group	Workers' Compensation	Statutory Limit
NorCal Relief	Property	\$500-\$250,250,000
NorCal Relief	Liability	\$50,000-\$50 million
Schools Association for Excess Risk	Excess Property	\$5,250,000-\$250 million
Schools Association for Excess Risk	Excess Liability	\$5 million-\$25 million

Existing Debt Obligations

General Obligation Bonds. The District has voter-approved general obligation bonds and refunding bonds outstanding which have been issued pursuant to the authority obtained from voters at elections in past years, which are secured by *ad valorem* property taxes levied and collected in the District. The following table shows the outstanding general obligation bonded debt of the District

SUMMARY OF OUTSTANDING GENERAL OBLIGATION BONDS ⁽¹⁾ Piedmont Unified School District

Dated Date	Series	Amount of Original Issue	Final Maturity Date	[Outstanding as of Sept. 1, 2017]
<u>2006 Authorization</u>				
05/04/2011	General Obligation Bonds, Election of 2006, Series D	\$10,000,000.00	August 1, 2026	\$10,000,000.00
08/21/2013	General Obligation Bonds, Election of 2006, Series E ⁽²⁾	11,998,678.35	August 1, 2032	11,998,678.35
<u>2016 Authorization</u>				
04/12/2017	General Obligation Bonds, Election of 2016, Series 2017A	26,000,000.00	August 1, 2046	26,000,000.00
<u>Refunding Bonds</u>				
10/14/2009	2009 General Obligation Refunding Bonds	13,145,000.00	August 1, 2018	2,245,000.00
11/26/2014	2014 General Obligation Refunding Bonds	9,965,000.00	August 1, 2020	5,725,000.00
03/24/2015	2015 General Obligation Refunding Bonds	16,075,000.00	August 1, 2031	16,030,000.00
04/12/2017	2017 General Obligation Refunding Bonds	16,775,000.00	August 1, 2034	16,775,000.00
Total		\$103,958,678.35		\$88,773,678.35]

(1) Does not include the Refunding Bonds offered for sale in the Official Statement.

(2) To be refunded, in part, with proceeds of the Refunding Bonds, as described in the Official Statement.

The 2006 GO Bond Authorization. The District received authorization at an election held on March 7, 2006 (the “**2006 Authorization**”), which authorized a total of \$56,000,000 principal amount of general obligation bonds. The District previously issued its Election of 2006, Series A Bonds, Election of 2006, Series B Bonds and Election of 2006, Series C Bonds, which have been refunded.

On May 4, 2011, the District issued its \$10,000,000 General Obligation Bonds, Election of 2006, Series D (the “**2006 Series D Bonds**”) as its fourth series of bonds issued under the 2006 Authorization, which are currently outstanding in the aggregate principal amount of \$10,000,000.00.

On August 21, 2013, the District issued its \$11,998,000.35 General Obligation Bonds, Election of 2006, Series E (the “**2006 Series E Bonds**”) as its fifth series of bonds issued under the 2006 Authorization, which are currently outstanding in the aggregate principal amount of \$11,998,678.35. The 2006 Series E Bonds are expected to be refunded, in full, with proceeds of the Refunding Bonds, as described in the Official Statement.

The 2016 GO Bond Authorization. The District received authorization at an election held on November 8, 2016 (the “**2016 Authorization**”), which authorized a total of \$40,000,000 principal amount of general obligation bonds.

On April 12, 2017, the District issued its \$26,000,000 General Obligation Bonds, Election of 2016, Series 2017A (the “**2016 Series 2017A Bonds**”) as its first series of bonds issued under the 2016 Authorization, which are currently outstanding in the aggregate principal amount

of \$26,000,000.

Refunding Bonds. On October 14, 2009, the District issued its \$13,145,000 2009 General Obligation Refunding Bonds (the “**2009 Refunding Bonds**”), currently outstanding in the aggregate principal amount of \$2,245,000.00. The proceeds of the 2009 Refunding Bonds were used for the purpose of refunding the District’s outstanding 2001 Refunding General Obligation Bonds, which were issued to refund on an advance basis three series of general obligation bonds issued by the District pursuant to a voter authorization received in 1994.

On November 14, 2014, the District issued its \$9,965,000 aggregate principal amount of 2014 General Obligation Refunding Bonds (the “**2014 Refunding Bonds**”), currently outstanding in the aggregate principal amount of \$5,725,000.00. The 2014 Refunding Bonds proceeds were used to refund the District’s 2005 General Obligation Refunding Bonds.

On March 24, 2015, the District issued its \$16,075,000 aggregate principal amount of 2015 General Obligation Refunding Bonds (the “**2015 Refunding Bonds**”), currently outstanding in the aggregate principal amount of \$16,030,000.00. The 2015 Refunding Bonds proceeds were used to refund portions of the District’s General Obligation Bonds, Election of 2006, Series A and Series B.

On April 12, 2017, the District issued its \$16,775,000 aggregate principal amount of 2017 General Obligation Refunding Bonds (the “**2017 Refunding Bonds**”), currently outstanding in the aggregate principal amount of \$16,775,000.00. The 2017 Refunding Bonds proceeds were used to refund portions of the District’s General Obligation Bonds, Election of 2006, Series C.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq.*, the Alameda County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See APPENDIX G for information regarding the County’s investment policy and monthly investment report as of December 2015.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see “— Education Funding Generally” above). State funds typically make up the majority of a district’s LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS” below.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State's general fund, and (2) a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). School districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the Purchaser nor the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each House of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

1. The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.
2. The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.
3. The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.
4. The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2014-15 State Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2012 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Significant Change in Education Funding. As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2017-18 Adopted State Budget

On June 27, 2017, the Governor signed the 2017-18 State budget (the "**2017-18 State Budget**") into law. The 2017-18 State Budget calls for the spending of \$125.1 billion from the general fund, \$54.9 billion from special funds and \$3.3 billion from bond funds. The 2017-18 State Budget includes a funding increase of \$3.1 billion for K-14 education, an expanded tax credit for low-wage workers and puts an additional \$1.8 billion into the State's budget stabilization reserve, bringing the rainy-day fund balance to \$8.5 billion, or 66% of the constitutional target. Significant features of the 2017-18 Budget include:

- total funding of \$92.5 billion for K-12 education programs, including an increase in funding of \$1.4 billion to continue the State's transition to LCFF, bringing the formula to 97% of full implementation;
- an increase of \$877 million in one-time discretionary grants to provide school districts, charter schools and county offices of education with funds to be used for items such as deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards;
- an increase in \$7 million to support county offices of education, which funding requires county superintendents of schools to summarize how the county offices of education will support school districts and schools within the county;
- \$1.8 billion to pay down past budgetary borrowing and State employee pension liabilities;
- a \$6 billion supplemental payment to PERS, on top of the actuarially determined annual contribution of \$5.2 billion, through a loan from the State's Surplus Money Investment Fund, which will reduce unfunded liabilities, stabilize the State's contribution rate and save \$11 billion over the next twenty years;
- \$2.8 billion dollars for STRS, which contribution is consistent with the funding strategy of putting STRS on a sustainable path forward and eliminating its current unfunded liability in approximately 30 years;
- new appropriations of \$2.8 billion, distributed evenly between State and local transportation authorities, to implement the Road Repair and Accountability Act of 2017;
- \$84.9 million to address issues from the State's recent drought emergency, including \$41.9 million to extend the fire season and expand the State's

firefighting capabilities to reduce the fire risk from climate change, the recent drought and tree mortality; and

- an increase of \$31.5 million to repair and maintain the aging infrastructure of the State's park system.

Disclaimer Regarding State Budgets. The execution of the foregoing 2017-18 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities such as pension or OPEB and (v) other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the accuracy of any assumptions or projections made in State budgets. Additionally, the District cannot predict the impact that the 2017-18 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Refunding Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitment with the District, the County, the Purchaser or the Owners of the Refunding Bonds to provide State budget information to the District or the owners of the Refunding Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Purchaser assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein.

Availability of State Budgets. The complete 2017-18 State Budget is available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Legislative Analyst Office at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon in making an investment decision with respect to the Refunding Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future revenues and expenditures and possible future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Refunding Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Refunding Bonds. The tax levied by the County for payment of the Series 2006E Bonds and thus the Refunding Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 (“**Proposition 13**”), which added Article XIII A to the State Constitution (“**Article XIII A**”). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) 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 (which provided the authority for the issuance of the Series 2006E Bonds), and (iii) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment”. This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% 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.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to “recapture” the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year’s assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the “recapture” provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIII B of the California Constitution

Article XIII B (“**Article XIII B**”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from

certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the State Board of Equalization ("**SBE**") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Articles XIIC and XIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIC 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 XIID. 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.

Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Refunding Bonds.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “**Accountability Act**”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount

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

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("**Proposition 111**") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “**first test**”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita* personal income) and enrollment (the “**second test**”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the “**third test**”). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as “**Proposition 39**”) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55 percent (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1 percent limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of this proposition and can

be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Proposition 30 and Proposition 55

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “**Proposition 30**”), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes 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 imposes 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. This excise tax will be 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 December 31, 2018, Proposition 30 increases 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 and over, \$340,000 but less than \$408,000 for head-of-household 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 over \$408,000 but less than \$680,000 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “-Proposition 98” and “-Proposition 111” above. From an accounting perspective, the revenues generated from the temporary tax increases will be 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 will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive 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.

The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, was a constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018; Proposition 55 did not extend the sales tax increase that was approved as part of Proposition 30. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

California Senate Bill 222

Senate Bill 222 ("**SB 222**") was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives and Other Statutes

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures and legislation 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.

APPENDIX C

GENERAL AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF PIEDMONT AND ALAMEDA COUNTY

The following information about the City of Piedmont, (the “City”) and Alameda County (the “County”) is included only for the purpose of supplying general information regarding the area of the District. The Refunding Bonds are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions (other than the District), and none of the City, the County, the State or any of its political subdivisions (other than the District) is liable therefor.

The City. The City of Piedmont (the “City”) is a small, residential community surrounded on all sides by the City of Oakland. The City is almost entirely zoned for single-family dwelling residential use, and has minimal commerce compared with statistically similar cities. The City provides its own fire and police services but does not have its own public library or federal post office; these services are shared with the City of Oakland.

The County. The County of Alameda (the “County”) is located on the east side of the San Francisco Bay, extending to the City of Albany on the north, the City of Fremont on the south, and to the City of Livermore on the east, and is approximately ten miles west of San Francisco. Automobile access to San Francisco is provided by the San Francisco-Oakland Bay Bridge.

The northern part of Alameda County has direct access to San Francisco Bay and the City of San Francisco. It is highly diversified with residential areas, active commercial areas, traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and sophisticated manufacturing, computer services and biotechnology firms. The middle of the County is also highly developed including older established residential and industrial areas. The southeastern corner of the County, including the cities of Pleasanton and Livermore, has seen strong growth in residential development and manufacturing. Many high-tech firms have moved from neighboring Silicon Valley in Santa Clara County to the County.

Population

The historic population estimates of the cities in the County, as of January 1 of the past five years are shown in the following table:

ALAMEDA COUNTY
Population Estimates
Calendar Years 2013 through 2017 as of January 1

	2013	2014	2015	2016	2017
Alameda	76,086	76,792	77,653	79,338	79,928
Albany	18,660	18,672	18,827	18,905	18,988
Berkeley	116,355	117,705	119,246	119,997	121,238
Dublin	50,197	53,648	56,164	57,394	59,686
Emeryville	10,541	10,763	10,900	11,730	11,854
Fremont	221,806	225,275	228,032	229,504	231,664
Hayward	152,073	154,238	156,620	159,104	161,040
Livermore	83,954	85,250	86,578	88,207	89,648
Newark	43,591	43,973	44,430	44,767	45,422
Oakland	407,660	412,290	417,993	423,191	426,074
Piedmont	10,953	11,052	11,174	11,227	11,283
Pleasanton	71,618	72,505	74,344	75,040	75,916
San Leandro	86,395	87,058	87,866	87,882	88,274
Union City	71,480	72,056	72,774	73,010	73,452
Unincorporated County	145,722	147,071	148,717	149,937	150,892
County Total	1,567,091	1,588,348	1,611,318	1,629,233	1,645,359

Source: State Department of Finance, Demographic Research.

Employment and Industry

The City is included in the Oakland-Hayward-Berkeley Metropolitan Division ("MD"), which consists of Alameda and Contra Costa Counties. The unemployment rate in the Oakland-Hayward-Berkeley MD was 4.4 percent in July 2017, up from a revised 4.0 percent in June 2017, and below the year-ago estimate of 4.7 percent. This compares with an unadjusted unemployment rate of 5.4 percent for California and 4.6 percent for the nation during the same period. The unemployment rate was 4.3 percent in Alameda County, and 4.5 percent in Contra Costa County.

The following table shows the average annual estimated numbers by industry comprising the civilian labor force, as well as unemployment information for years 2012 through 2016.

Oakland-Hayward-Berkeley Metropolitan Division (Alameda and Contra Costa Counties) Industry Employment and Labor Force (Annual Averages)

	2012	2013	2014	2015	2016
Civilian Labor Force ⁽¹⁾	1,334,200	1,340,800	1,350,300	1,370,500	1,394,400
Employment	1,216,900	1,242,500	1,269,900	1,304,400	1,334,200
Unemployment	117,300	98,300	80,400	66,100	60,200
Unemployment Rate	8.8%	7.3%	6.0%	4.8%	4.3%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	1,500	1,400	1,300	1,200	1,300
Mining and Logging	900	900	800	900	900
Construction	52,000	56,400	58,600	62,800	67,500
Manufacturing	79,900	80,100	82,800	87,500	89,900
Wholesale Trade	43,700	45,200	46,200	47,600	49,000
Retail Trade	104,700	108,300	110,500	113,100	115,000
Transportation, Warehousing, Utilities	32,300	32,900	35,000	37,400	38,700
Information	22,900	22,700	23,000	24,900	26,400
Finance and Insurance	36,000	37,100	37,300	38,800	40,300
Real Estate and Rental and Leasing	15,400	16,200	16,800	16,800	17,000
Professional and Business Services	165,400	170,400	173,500	176,600	180,800
Educational and Health Services	164,700	170,500	173,100	178,600	184,900
Leisure and Hospitality	91,800	97,200	102,100	106,600	111,400
Other Services	36,400	37,000	37,500	38,100	39,200
Federal Government	14,200	13,800	13,800	13,800	13,900
State Government	38,500	38,900	39,300	39,900	39,800
Local Government	110,100	110,600	113,400	115,600	120,200
Total, All Industries ⁽³⁾	1,010,400	1,039,500	1,064,800	1,100,200	1,136,100

(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) Calculations may not add to totals due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The table below lists the major employers in Alameda County, listed alphabetically.

ALAMEDA COUNTY Major Employers September 2017

Employer Name	Location	Industry
Alameda County Law Enforcement	Oakland	Government Offices-County
Alameda County Sheriff's Dept	Hayward	Government Offices-County
Alameda County Sheriff's Ofc	Oakland	Government Offices-County
Alta Bates Summit Medical Ctr	Berkeley	Hospitals
Alta Bates Summit Medical Ctr	Oakland	Hospitals
Bayer Health Care	Berkeley	Laboratories-Pharmaceutical (mfrs)
California State-East Bay	Hayward	Schools-Universities & Colleges Academic
Children's Hosp & Research Ctr	Oakland	Hospitals
Coopervision Inc Advanced	Pleasanton	Optical Goods-Wholesale
Dell EMC	Pleasanton	Computer Software
East Bay Water	Oakland	Transit Lines
Highland Hospital	Oakland	Hospitals
Kaiser Oakland	Oakland	Health Services
Life Scan Inc	Fremont	Physicians & Surgeons Equip & Supls-Mfrs
Merritt Pavilion Lab	Oakland	Laboratories-Medical
Oakland Police Patrol Div	Oakland	Police Departments
Residential Students Svc Program	Berkeley	Schools-Universities & Colleges Academic
Safeway Inc	Pleasanton	Grocers-Retail
Tesla Motors	Fremont	Automobile Dealers-Electric Cars
Transportation Dept-California	Oakland	Government Offices-State
University of Ca-Berkeley	Berkeley	Schools-Universities & Colleges Academic
University of CA-BERKELEY	Berkeley	Schools-Universities & Colleges Academic
Valley Care Health System	Livermore	Health Services
Washington Hosp Healthcare Sys	Fremont	Hospitals
Western Digital Corp	Fremont	Electronic Equipment & Supplies-Mfrs

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2017 2nd Edition.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2012 through 2016.

CITY OF PIEDMONT AND ALAMEDA COUNTY
Effective Buying Income
Median Household
As of January 1, 2012 Through 2016

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2012	City of Piedmont	\$781,990	\$114,290
	Alameda County	43,677,855	55,396
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Piedmont	\$719,875	\$122,766
	Alameda County	43,770,518	57,467
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Piedmont	\$804,008	\$145,229
	Alameda County	47,744,408	60,575
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City of Piedmont	\$905,638	\$172,143
	Alameda County	52,448,661	64,030
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	City of Piedmont	\$943,491	\$164,370
	Alameda County	56,091,066	67,631
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043

Source: The Nielsen Company (US), Inc.

Commerce

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for 2016.

Total taxable sales during the first quarter of calendar year 2015 in the City were reported to be \$3,371,098, a 10.21% decrease over the total taxable sales of \$3,754,337 reported during the first quarter of calendar year 2014.

CITY OF PIEDMONT
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2011	122	\$11,674	198	\$12,829
2012	115	11,816	191	13,873
2013	115	15,093	191	16,819
2014	117	15,007	190	17,758
2015 ⁽¹⁾	105	13,603	211	16,344

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State of California, Board of Equalization.

Total taxable sales during the first quarter of calendar year 2016 in the County were reported to be \$7,029,210,000, a 3.76% increase over the total taxable sales of \$6,774,553,000 reported during the first quarter of calendar year 2015.

ALAMEDA COUNTY
Taxable Transactions
Number Of Permits And Valuation Of Taxable Transactions
(Dollars In Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2011	24,809	\$14,519,756	38,577	\$23,430,799
2012	26,027	15,781,349	39,706	25,181,571
2013	27,017	16,893,102	40,662	26,624,571
2014	27,152	17,820,857	40,746	28,377,714
2015 ⁽¹⁾	17,260	18,702,806	45,197	29,770,157

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State of California, Board of Equalization.

Construction Activity

The tables below illustrate the building permits and valuations for the City and the County for calendar years 2012 through 2016.

CITY OF PIEDMONT Total Building Permit Valuations (Valuations in Thousands)

	2012	2013	2014	2015	2016
<u>Permit Valuation</u>					
New Single-family	\$0.0	\$600.0	\$480.0	\$980.0	\$1,000.0
New Multi-family	0.0	0.0	0.0	3,900.0	0.0
Res. Alterations/Additions	<u>13,227.5</u>	<u>13,762.0</u>	<u>17,443.0</u>	<u>17,432.9</u>	<u>18,550.2</u>
Total Residential	13,227.5	14,362.0	17,923.0	22,312.9	19,550.2
New Commercial	4,104.5	1,435.7	145.0	3,500.0	1,271.9
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	0.0	1,694.2	2,501.5	3,394.8	4,270.3
Com. Alterations/Additions	<u>479.7</u>	<u>75.0</u>	<u>25.0</u>	<u>319.9</u>	<u>15.0</u>
Total Nonresidential	4,584.2	3,204.9	2,671.5	7,214.7	5,557.2
New Dwelling Units					
Single Family	0	1	2	2	1
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>0</u>
TOTAL	0	1	2	9	1

Source: Construction Industry Research Board, Building Permit Summary.

ALAMEDA COUNTY Total Building Permit Valuations (Valuations in Thousands)

	2012	2013	2014	2015	2016
<u>Permit Valuation</u>					
New Single-family	\$372,939.4	\$451,279.5	\$400,498.1	\$576,948.5	\$791,891.2
New Multi-family	343,669.8	300,514.9	392,331.4	456,361.3	497,341.3
Res. Alterations/Additions	<u>235,264.8</u>	<u>227,675.7</u>	<u>325,493.9</u>	<u>344,975.9</u>	<u>466,239.3</u>
Total Residential	951,874.0	979,470.2	1,118,323.4	1,378,285.7	1,755,471.8
New Commercial	94,705.8	122,360.6	175,958.9	187,303.4	444,307.9
New Industrial	29,808.2	140,059.5	102,926.6	92,470.2	53,242.1
New Other	6,764.1	49,801.8	147,944.7	193,029.9	87,213.3
Com. Alterations/Additions	<u>352,261.1</u>	<u>364,237.6</u>	<u>599,941.3</u>	<u>673,633.6</u>	<u>775,031.8</u>
Total Nonresidential	483,539.2	676,459.5	1,026,771.5	1,146,437.1	1,359,795.1
New Dwelling Units					
Single Family	1,119	1,339	1,076	1,671	2,348
Multiple Family	<u>1,508</u>	<u>2,023</u>	<u>2,048</u>	<u>3,370</u>	<u>3,171</u>
TOTAL	2,627	3,362	3,124	5,041	5,519

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

_____, 2017

Board of Education
Piedmont Unified School District
760 Magnolia Avenue
Piedmont, California 94611

OPINION: \$_____ Piedmont Unified School District (Alameda County, California) 2017B General Obligation Refunding Bonds

Members of the Board of Education:

We have acted as bond counsel to the Piedmont Unified School District (the "District") in connection with the issuance by the District of \$_____ principal amount of Piedmont Unified School District (Alameda County, California) 2017B General Obligation Refunding Bonds dated the date hereof (the "Bonds"), under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code, and a resolution of the Board adopted on _____, 2017 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing school district with the power to issue the Bonds, and to perform its obligations under the Resolution and the Bonds.
2. The Resolution has been duly adopted by the Board, and constitutes a valid and binding obligation of the District enforceable upon the District in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District.
4. The Board of Supervisors of Alameda County is required under the laws of the State of California to levy an *ad valorem* tax upon the property in the District, unlimited as to rate or amount, for the payment of principal of and interest on the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal or state tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
PIEDMONT UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2017B General Obligation Refunding Bonds

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Piedmont Unified School District (the "District") in connection with the issuance of \$_____ aggregate principal amount of Piedmont Unified School District (Alameda County, California) 2017B General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued under a Resolution adopted by the Board of Education of the District on November __, 2017 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means initially KNN Public Finance, or any third party Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2018 with the report for the District's fiscal year 2016-17, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the District shall include in its Annual Report the following information:

- (i) current fiscal year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties if the combined assessed valuation of the top ten properties are equal to or exceed 15 percent of District assessed value, and
 - (ii) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy, but only if ad valorem taxes for debt service are not paid for pursuant to the County's Teeter Plan.
- (c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.
- (d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

- (a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:
- (1) Principal and interest payment delinquencies.
 - (2) Non-payment related defaults, if material.
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
 - (5) Substitution of credit or liquidity providers, or their failure to perform.
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
 - (7) Modifications to rights of security holders, if material.
 - (8) Bond calls, if material, and tender offers.
 - (9) Defeasances.
 - (10) Release, substitution, or sale of property securing repayment of the securities, if material.
 - (11) Rating changes.
 - (12) Bankruptcy, insolvency, receivership or similar event of the District.

- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above 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 under the Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above 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 United States 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 governing 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.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate,

and may discharge any such Agent, with or without appointing a successor Dissemination Agent. Initially, the District, shall serve as Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision hereof, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, 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 proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto 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.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

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

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2017

PIEDMONT UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

ACCEPTANCE OF DUTIES AS DISSEMINATION AGENT

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Piedmont Unified School District

Name of Bond Issue: \$_____ aggregate principal amount of Piedmont Unified School District (Alameda County, California) 2017B General Obligation Refunding Bonds

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the resolution adopted by the Board of Education of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

_____,
as Dissemination Agent

By: _____
Authorized Officer

Cc: Piedmont Unified School District

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Refunding Bonds, payment of principal, interest and other payments on the Refunding Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Refunding Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given 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 Refunding Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Refunding Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Refunding 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 Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. DTC will act as securities depository for the securities (in this Appendix, the "Bonds"). The Refunding 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 Refunding Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is

the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding 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 Refunding 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 Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

4. 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Refunding 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.

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

6. Redemption notices will be sent to DTC. If less than all of the Refunding 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.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Refunding Bonds unless authorized by a Direct Participant in accordance with

DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Refunding 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 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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.

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

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

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

APPENDIX G

ALAMEDA COUNTY INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT