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**ESCROW AGREEMENT**

**by and between**

**SANTEE SCHOOL DISTRICT**

**and**

**U.S. BANK NATIONAL ASSOCIATION**

**Dated as of \_\_\_\_\_ 1, 2016**

**Santee School District  
General Obligation Bonds,  
2006 Election, Series B  
(San Diego County, California)**

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## ESCROW AGREEMENT

**THIS ESCROW AGREEMENT** (this “Escrow Agreement”), dated as of \_\_\_\_\_, 1, 2016, is by and between the SANTEE SCHOOL DISTRICT, a school district organized and existing under the laws of the State of California (the “District”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as escrow bank (the “Escrow Bank”).

### W I T N E S S E T H:

**WHEREAS**, the District, located in the County of San Diego, California (the “County”), has heretofore issued the Santee School District (San Diego County, California) General Obligation Bonds, 2006 Election, Series B (the “Prior Bonds”) in the original aggregate principal amount of \$12,385,076.75; and

**WHEREAS**, the Prior Bonds were issued pursuant to a Resolution adopted by the Board of Education (the “Board”) of the District on July 15, 2008 (the “Resolution”); and

**WHEREAS**, the District has determined that debt service savings can be achieved by refunding a portion of the Prior Bonds maturing on August 1 of each of the years 2020 through 2029, inclusive, 2033, 2038 and 2048 (the “Refunded Bonds”), as further described in Exhibit A hereto; and

**WHEREAS**, the Treasurer-Tax Collector of the County (the “County Treasurer”) serves as paying agent with respect to the Prior Bonds (the “Prior Paying Agent”); and

**WHEREAS**, in order to provide the funds necessary to refund the Refunded Bonds, the District has issued \$\_\_\_\_\_ aggregate initial principal amount of Santee School District (San Diego County, California) General Obligation Refunding Bonds, Series 2016B (the “Refunding Bonds”); and

**WHEREAS**, the Refunding Bonds are issued pursuant to a resolution adopted by the Board of the District on October 18, 2016 (the “Refunding Resolution”); and

**WHEREAS**, County Treasurer, is the paying agent (the “Paying Agent”) under the Refunding Resolution; and

**WHEREAS**, the District has determined to apply a portion of the proceeds of the Refunding Bonds for the purpose of providing the funds necessary to pay, when due, the interest on the Refunded Bonds to and including August 1, 2018 and to redeem the Refunded Bonds on August 1, 2018 (the “Redemption Date”) at a redemption price (the “Redemption Price”) equal to 100% of the principal amount of the Refunded Bonds; and

**WHEREAS**, the Refunded Bonds are subject to redemption on the Redemption Date and the District has determined to provide for the call for redemption on the Redemption Date of the Refunded Bonds outstanding on the Redemption Date;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements herein contained, the District and the Escrow Bank agree as follows:

**Section 1. Definitions.** Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed thereto in the Resolution.

**Section 2. The Escrow Fund.** (a) There is hereby established a fund (the “Escrow Fund”) to be held as an irrevocably pledged escrow by the Escrow Bank, which the Escrow Bank shall keep separate and apart from all other funds of the District and the Escrow Bank and which shall be applied solely as provided in this Escrow Agreement. The Escrow Fund is established for the purpose of refunding the Refunded Bonds and, for purposes of Section 53555 of the California Government Code, shall be deemed to be a fund in the treasury of the District.

Pending application as provided in this Escrow Agreement, amounts on deposit in the Escrow Fund are hereby pledged and assigned solely to the payment of the interest on and principal and Redemption Price of the Refunded Bonds, which amounts shall be held in trust by the Escrow Bank for the Owners of the Refunded Bonds.

(b) Upon the issuance of the Refunding Bonds, there shall be deposited in the Escrow Fund \$ \_\_\_\_\_ received from the proceeds of the sale of the Refunding Bonds.

(c) Upon the deposit of moneys pursuant to Section 2(b), the moneys on deposit in the Escrow Fund will be at least equal to an amount sufficient to purchase the aggregate principal amount of [non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America] (“Defeasance Securities”) set forth in Exhibit B hereto (the “Exhibit B Securities”), which principal, together with all interest due or to become due on such Exhibit B Securities, and any uninvested cash held by the Escrow Bank in the Escrow Fund, will be sufficient to make the payments required by Section 4 hereof.

**Section 3. Use and Investment of Moneys.** (a) The Escrow Bank hereby acknowledges deposit of the moneys described in Section 2(b) and agrees to invest \$ \_\_\_\_\_ of such moneys in the Exhibit B Securities upon receipt of certification by a nationally recognized firm of independent certified public accountants that the Exhibit B Securities will mature in such principal amounts and earn interest in such amounts and, in each case, at such times, so that sufficient moneys will be available from maturing principal and interest on the Exhibit B Securities, together with any uninvested moneys then held by the Escrow Bank in the Escrow Fund, to make all payments required by Section 4 hereof. Except as provided in Section 3(b) or Section 3(c), the balance of the moneys described in Section 2 shall be held uninvested in the Escrow Fund.

(b) Upon the written request of the District, but subject to the conditions and limitations herein set forth, the Escrow Bank shall purchase substitute Defeasance Securities for the Defeasance Securities then held in an Escrow Fund with the proceeds derived from the sale, transfer, redemption or other disposition of Defeasance Securities then on deposit in such Escrow Fund and any uninvested money then held by the Escrow Bank hereunder in accordance with the provisions of this Section. Such sale, transfer, redemption or other disposition of Defeasance Securities then on deposit in such Escrow Fund and substitution of other Defeasance Securities shall be effected by the Escrow Bank upon the written request of the District but only by a simultaneous transaction and only upon receipt of (i) certification by a nationally recognized firm of independent certified public accountants that the Defeasance Securities to be substituted,

together with the Defeasance Securities which will continue to be held in such Escrow Fund, will mature in such principal amounts and earn interest in such amounts and, in each case, at such times so that sufficient moneys will be available from maturing principal and interest on such Defeasance Securities held in such Escrow Fund, together with any uninvested moneys, to make all payments required by Section 4 hereof, which have not previously been made, and (ii) receipt by the Escrow Bank of an opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that the sale, transfer, redemption or other disposition and substitution of Defeasance Securities will not adversely affect the exclusion of interest on the Refunded Bonds or the Refunding Bonds from gross income for purposes of federal income taxation.

(c) Upon the written request of the District, but subject to the conditions and limitations herein set forth, the Escrow Bank shall apply any moneys received from the maturing principal of or interest or other investment income on any Defeasance Securities held in an Escrow Fund, or the proceeds from any sale, transfer, redemption or other disposition of Defeasance Securities pursuant to Section 3(b) not required for the purposes of said Section (i) to the extent such moneys will not be required at any time for the purpose of making a payment required by Section 4 hereof, as certified by a nationally recognized firm of independent certified public accountants delivered to the Escrow Bank, such moneys shall be transferred to the County Treasurer for deposit in the District's interest and sinking funds established for the Refunding Bonds upon the written request of the District as received by the Escrow Bank, free and clear of any trust, lien, pledge or assignment securing the Refunded Bonds or otherwise existing hereunder, and (ii) to the extent such moneys will be required for such purpose at a later date, shall, to the extent practicable, be invested or reinvested in Defeasance Securities maturing at times and in amounts sufficient, as certified by a nationally recognized firm of independent certified public accountants delivered to the Escrow Bank, to make such payment required by Section 4 hereof. Prior to investing or reinvesting such moneys in Defeasance Securities pursuant to this subsection (c), the Escrow Bank shall receive an opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that the investment or reinvestment of such moneys will not adversely affect the exclusion of interest on the Refunded Bonds or the Refunding Bonds from gross income for purposes of federal income taxation.

(d) All Defeasance Securities purchased pursuant to this Escrow Agreement shall be deposited in and held for the credit of the Escrow Fund. Except as provided in this Section 3, no moneys or Defeasance Securities deposited with the Escrow Bank pursuant to this Escrow Agreement nor principal of, or interest payments or other investment income on, any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Refunded Bonds as provided by Section 4 hereof.

(e) The Owners of the Refunded Bonds shall have a first and exclusive lien on the moneys and Defeasance Securities in the Escrow Fund until such moneys and Defeasance Securities are used and applied as provided in this Escrow Agreement.

(f) If the Escrow Bank learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of state and local government series securities ("SLGS") that is to be submitted pursuant to this Escrow Agreement, if any, the

Escrow Bank shall promptly request alternative written investment instructions from the District with respect to funds which were to be invested in SLGS. The Escrow Bank shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Bank shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of investment instructions from the District, the Escrow Bank shall not be responsible for the investment of such funds or interest thereon.

(g) The Escrow Bank shall not be held liable for investment losses resulting from compliance with the provisions of this Escrow Agreement.

**Section 4. Payment of Refunded Bonds.** From the maturing principal of the Defeasance Securities held in the Escrow Fund and the investment income and other earnings thereon and any uninvested money then held in the Escrow Fund, the Escrow Bank shall:

(a) on each Interest Payment Date to and including the Redemption Date, pay interest on the Refunded Bonds then due and payable to the Paying Agent in accordance with the terms of the Resolution and in accordance with debt service schedule set forth in the escrow verification report dated \_\_\_\_\_, 2016 provided by Causey Demgen & Moore P.C. (the “Escrow Verification Report”), attached hereto as Exhibit C; and

(b) on the Redemption Date, pay the Redemption Price to the Paying Agent in accordance with the terms of the Resolution and in accordance with the Escrow Verification Report, attached hereto as Exhibit C.

To the extent that the amount on deposit in the Escrow Fund on the Redemption Date is in excess of the amount necessary to make the required payments with respect to the Refunded Bonds, as shown in the Escrow Verification Report, attached hereto as Exhibit C, such excess shall be transferred to the County Treasurer for deposit in the District’s interest and sinking funds established for the Refunding Bonds.

**Section 5. Irrevocable Instructions to Mail Notices.** The District hereby irrevocably designates the Refunded Bonds for prior redemption on the Redemption Date as indicated in Section 4 hereof and hereby irrevocably instructs the Paying Agent, to (a) give, in accordance with Section 10(d) of the Resolution, notice of redemption of the Refunded Bonds, (b) file, in accordance with the continuing disclosure certificate of the District for the Refunded Bonds, notice of such early redemption and the defeasance of the Refunded Bonds on the Electronic Municipal Market Access (EMMA) website.

**Section 6. Performance of Duties.** The Escrow Bank agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Escrow Bank herein provided are in a form satisfactory to it.

**Section 7. Escrow Bank’s Authority to Make Investments.** The Escrow Bank shall have no power or duty to invest any funds held under this Escrow Agreement except as provided in Section 3 hereof. The Escrow Bank shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided in this Escrow Agreement.

**Section 8. Compensation.** The District shall from time to time pay or cause to be paid to the Escrow Bank the agreed upon compensation for its services to be rendered hereunder, and reimburse the Escrow Bank for all of its reasonable advances, expenses and charges, including, without limitation, legal fees and expenses, in the exercise and performance of its duties hereunder; provided, however, that under no circumstances shall the Escrow Bank be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Bank under this Escrow Agreement or otherwise.

**Section 9. Indemnification.** To the extent permitted by law, the District shall indemnify and save the Escrow Bank and its officers, directors, agents and employees harmless against any liabilities, losses, costs, expenses (including, without limitation, legal fees and expenses), suits, judgments and claims which it or they may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or its willful misconduct. The indemnity contained in this Section shall survive the termination of this Escrow Agreement and the earlier removal or resignation of the Escrow Bank.

**Section 10. Responsibilities of Escrow Bank.** The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held hereunder to accomplish the redemption of the Refunded Bonds, or any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the redemption of the Refunded Bonds or to the validity of this Escrow Agreement as to the District and, except as otherwise provided herein, the Escrow Bank shall incur no liability in respect thereof. The Escrow Bank shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Escrow Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel of recognized standing in the field of law relating to municipal bonds) may be deemed to be conclusively established by a written certification of the District.

No provision of this Escrow Agreement shall require the Escrow Bank to risk or advance its own funds. The Escrow Bank shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Bank may execute any of its powers or duties hereunder through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

The Escrow Bank agrees to accept and act upon instructions or directions pursuant to this Escrow Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Bank shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Bank in its discretion elects to act upon such instructions, the Escrow Bank's understanding of such instructions shall be deemed controlling. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

**Section 11. Resignation and Removal.** The Escrow Bank may resign by giving written notice to the District, and upon receipt of such notice the District shall promptly appoint a successor Escrow Bank. If the District does not appoint a successor Escrow Bank within thirty days of receipt of such notice, the resigning Escrow Bank may petition a court of competent jurisdiction for the appointment of a successor Escrow Bank, which court may thereupon, upon such notice as it shall deem proper, appoint a successor Escrow Bank. Upon acceptance of appointment by a successor Escrow Bank, the resigning Escrow Bank shall transfer all moneys held by it in the Escrow Fund to such successor Escrow Bank and be discharged of any further obligation or responsibility hereunder.

The District may remove the Escrow Bank at any time by giving written notice of such removal to the Escrow Bank, and thereupon shall appoint a successor Escrow Bank by an instrument in writing. Upon acceptance of appointment by a successor Escrow Bank, the removed Escrow Bank shall transfer all moneys held by it in the Escrow Fund to such successor Escrow Bank and be discharged of any further obligation or responsibility hereunder.

Any successor Escrow Bank appointed under the provisions hereof shall be a trust company or bank having trust powers, having a corporate trust office in California, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this paragraph the combined capital and surplus of such

bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any bank, corporation or association into which the Escrow Bank may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Bank shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Bank shall be the successor of the Escrow Bank hereunder without the execution or filing of any paper with any parties hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument or transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

**Section 12. Amendments.** The District and the Escrow Bank may (but only with the consent of the Owners of all of the Refunded Bonds) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement; provided, however, that such amendments and agreements are limited to (a) insertion of unintentionally omitted material, corrections of mistakes or clarifications of ambiguities, (b) pledging of additional legal security for the benefit of the Owners of the Refunded Bonds, or (c) providing for the deposit of additional cash and/or securities in the Escrow Fund.

**Section 13. Term.** This Escrow Agreement shall terminate on the date upon which the Refunded Bonds have been paid in accordance with this Escrow Agreement.

**Section 14. Severability.** If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the District or the Escrow Bank to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

**Section 15. Counterparts.** This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.



**Section 16. Governing Law.** This Escrow Agreement shall be construed under the laws of the State of California.

**SANTEE SCHOOL DISTRICT**

By: \_\_\_\_\_

**U.S. BANK NATIONAL  
ASSOCIATION, AS ESCROW BANK**

By: \_\_\_\_\_

Authorized Officer

[Signature Page – Escrow Agreement]

**EXHIBIT A**  
**REFUNDED BONDS**

<u>Maturity Date</u>	<u>Initial Principal Amount</u>	<u>Maturity Value</u>
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**EXHIBIT B**  
**DEFEASANCE SECURITIES**

<b>Type</b>	<b>Maturity Date</b>	<b>Par Amount</b>	<b>Interest Rate</b>	<b>Cost</b>
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**EXHIBIT C**  
**ESCROW VERIFICATION REPORT**

§ \_\_\_\_\_  
**SANTEE SCHOOL DISTRICT**  
**(SAN DIEGO COUNTY, CALIFORNIA)**  
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016B**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2016

Santee School District  
9625 Cuyamaca Street  
Santee, California 92071

The undersigned, \_\_\_\_\_ (the "Underwriter"), acting on its own behalf and not as a fiduciary or agent of any other party, hereby offers to enter into this Bond Purchase Agreement (the "Bond Purchase Agreement") with the Santee School District (the "District") which, upon the acceptance hereof, will be binding upon the District and the Underwriter. By execution of this Bond Purchase Agreement, the District acknowledges the terms hereof and recognizes that it will be bound by certain of the provisions hereof, and to the extent binding on the District, acknowledges and agrees to such terms. This offer is made subject to the written acceptance of this Bond Purchase Agreement by the District and delivery of such acceptance to the Underwriter at or prior to 11:59 p.m., California time, on the date hereof.

**1. Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the District for reoffering to the public and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$ \_\_\_\_\_ aggregate principal amount of the District's Santee School District (San Diego County, California) General Obligation Refunding Bonds, Series 2016B (the "Bonds"). The Bonds shall be issued in the principal amounts and shall bear interest at the rates set forth in Exhibit A hereto and shall be issued in fully registered form, in the authorized denominations of \$5,000 or any integral multiple thereof. The Bonds shall bear interest payable from the date thereof and such interest shall be payable on each February 1 and August 1, commencing February 1, 2017.

The Underwriter shall purchase the Bonds at a price of \$ \_\_\_\_\_ (which represents the aggregate principal amount of the Bonds, plus [net] original issuance [premium/discount] of \$ \_\_\_\_\_, and less Underwriter's discount in the amount of \$ \_\_\_\_\_) in immediately available funds by check, draft or wire transfer to or upon the order of the District.

The District acknowledges and agrees that: (a) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the District and the Underwriter; (b) the Underwriter is acting solely as an underwriter and principal in connection with

the matters contemplated by and with respect to all communications under this Bond Purchase Agreement and is not acting as the agent or fiduciary or Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) of the District and its advisors in connection with the matters contemplated by this Bond Purchase Agreement; (c) the Underwriter has financial and other interests that differ from those of the District; (d) the Underwriter has not assumed any other obligation to the District except the obligations expressly set forth in this Bond Purchase Agreement, and this Bond Purchase Agreement expresses the entire relationship between the parties hereto; and (e) in connection with the purchase and sale of the Bonds, the District has consulted its own financial and other advisors to the extent it has deemed appropriate. The District also acknowledges that it previously received from the Underwriter a letter regarding the Municipal Securities Rulemaking Board (“MSRB”) Rule G-17 Disclosures, and that it has provided to the Underwriter an acknowledgement of such letter.

**2. The Bonds.** The Bonds shall be dated the date of delivery, and shall mature on the dates and be subject to redemption prior to their maturity all as set forth in the Exhibit A hereto. The Bonds shall otherwise be as described in and shall be issued and secured pursuant to the provisions of the resolution of the Board of Trustees of the District (the “Board of Trustees”) adopted on October 18, 2016 (the “Resolution”), which provides for the terms of the Bonds, this Bond Purchase Agreement and Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Act”). The Bonds are being issued (i) to refund a portion of the District’s outstanding Santee School District (San Diego County, State of California) General Obligation Bonds, 2006 Election, Series B, maturing on August 1 of each of the years 2020 through 2029, inclusive, 2033, 2038 and 2048 (the “Prior Bonds”) and (ii) to pay costs of issuance of the Bonds.

The District and U.S. Bank National Association, as escrow bank (the “Escrow Bank”), will enter into the Escrow Agreement, dated as of \_\_\_\_\_ 1, 2016 (the “Escrow Agreement”), relating to the Prior Bonds. In order to assist the Underwriter with compliance with Rule 15c2-12 of the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended (the “Rule”), the District will enter into the Continuing Disclosure Certificate, dated \_\_\_\_\_, 2016 (the “Continuing Disclosure Certificate”). Capitalized terms used herein and not defined herein shall have the meanings set forth in the Resolution.

The Bonds shall be executed and delivered under and in accordance with the provisions of this Bond Purchase Agreement and the Resolution. The Bonds shall be in definitive form, shall bear CUSIP numbers, and shall be in fully registered form, registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”).

[The payment of principal of and interest on the Bonds will be secured by a municipal bond insurance policy (the “Policy”) to be issued simultaneously with the issuance of the Bonds by \_\_\_\_\_ (the “Insurer”).]

**3. Use of Documents.** The District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Bond Purchase Agreement, the Preliminary Official Statement (defined below), the Official Statement (defined below), the Resolution, the Escrow Agreement, the Continuing Disclosure Certificate and all information contained herein and therein and

all of the documents, certificates or statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Bond Purchase Agreement.

**4. Public Offering of the Bonds.** The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields as set forth in Exhibit A hereto. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Bonds; provided, however, that the Underwriter shall not change the interest rates set forth in Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

Prior to delivery of the Bonds, as a condition to such delivery, the Underwriter shall be required to provide to the District initial offering price information in form and substance as Bond Counsel (defined below) may require for purposes of determining the yield on the Bonds.

**5. Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated \_\_\_\_\_, 2016 (as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement"). The District represents that it deems the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to the Rule. By the execution of this Bond Purchase Agreement, the District ratifies the use by the Underwriter of the Preliminary Official Statement.

The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days after the date hereof, copies of the Official Statement, consisting of the Preliminary Official Statement with such changes as may be made with the approval of the District and the Underwriter (the "Official Statement"), in such reasonable quantity as the Underwriter shall request. The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, and agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received. The Underwriter agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access system.

Each party hereto agrees that it will notify the other party hereto if, within the period from the date of this Bond Purchase Agreement to and including the date which is 25 days following the End of the Underwriting Period (as hereinafter defined), such party discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case which might cause the Official Statement (as the same may have been theretofore supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If,

in the written opinion of the District or the Underwriter, the preparation and publication of a supplement or amendment to the Official Statement is, as a result of such fact or event (or any other event which becomes known to the District or the Underwriter during such period), necessary so that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall, at its expense, supplement or amend the Official Statement in such a manner so that the Official Statement, as so supplemented or amended, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and furnish copies of such supplement or amendment to the Underwriter in such numbers as the Underwriter may reasonably request. The District and the Underwriter agree that they will cooperate in the preparation of any such amendment or supplement. As used herein, the term "End of the Underwriting Period" means the later of such time as (a) the District delivers the Bonds to the Underwriter, or (b) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the "End of the Underwriting Period" shall be deemed to be the Closing Date (as defined herein). Any notice delivered pursuant to this provision shall be written notice delivered to the District at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the End of the Underwriting Period.

**6. Closing.** At 8:30 a.m., California time, on \_\_\_\_\_, 2016, or at such other time or on such other date as shall have been mutually agreed upon by the parties hereto (the "Closing" or "Closing Date"), the District shall direct U.S. Bank National Association, as the paying agent (the "Paying Agent"), to deliver to the Underwriter, through the facilities of DTC, or at such other place as the District and the Underwriter may mutually agree upon, the Bonds in fully registered book-entry form, duly executed, and shall cause the other documents hereinafter mentioned to be delivered at the offices of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") in Los Angeles, California. Upon fulfillment of all conditions to closing herein, the Underwriter shall accept such delivery and pay the purchase price thereof in immediately available funds (by wire transfer or such other manner of payment as the Underwriter and the District shall reasonably agree upon) to the account of the District.

**7. Representations, Warranties and Agreements of the District.** The District hereby represents, warrants and agrees with the Underwriter that:

(a) The District is a school district duly organized and validly existing under the laws of the State of California (the "State"), with the power to issue the Bonds pursuant to the Act;

(b) (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds, (ii) the Resolution was duly adopted at a meeting of the Board of Trustees, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption, and the Resolution has not been amended, modified or rescinded, (iii) the District has full legal right, power and authority to enter into this Bond Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate, to adopt the Resolution, to



issue and to deliver the Bonds to the Underwriter, to perform its obligations under each such document or instrument and to carry out and effectuate the transactions contemplated by this Bond Purchase Agreement, the Escrow Agreement and the Resolution, (iv) the execution and delivery or adoption of and the performance by the District of the obligations represented by, the Bonds, the Resolution, the Escrow Agreement, the Continuing Disclosure Certificate and this Bond Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing, (v) this Bond Purchase Agreement constitutes, and, when executed and delivered, each of the Escrow Agreement and the Continuing Disclosure Certificate will constitute, a valid and legally binding obligation of the District, enforceable against the District in accordance with its terms, and (vi) the District has duly authorized the consummation by it of all transactions contemplated by this Bond Purchase Agreement;

(c) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, or which have not been taken or obtained;

(d) The District has complied with the Internal Revenue Code of 1986, as amended, with respect to the Bonds;

(e) As of the time of acceptance hereof and as of the time of the Closing, the District is not and will not be, in any manner which would adversely affect the transactions contemplated hereby and by the Resolution, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would adversely affect the transactions contemplated hereby and by the Resolution, a default or event of default under any such instrument; and, as of such times, to the best knowledge of the District, the issuance of the Bonds, the execution, delivery and performance of this Bond Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate and the compliance with the provisions hereof and thereof and of the Resolution do not conflict with or constitute on the part of the District a violation of, or material default under, any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject and do not conflict with or result in a violation or breach of, or constitute a material default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject;

(f) As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending (in which service of process has been completed against the District) or, to the best knowledge of the District, otherwise pending or threatened against the District (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices of the titles of the officials of the District to such offices, (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds or the levy of any taxes contemplated by the Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds, this Bond Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate or the Resolution or contesting the powers of the District or its authority with respect to the Bonds, this Bond Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate or the Resolution, (iii) contesting the completeness or accuracy of the Preliminary Official Statement, or (iv) in which a final adverse decision could (A) result in any material adverse impact on the financial condition of the District, (B) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Bond Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate or the Resolution, (C) declare this Bond Purchase Agreement to be invalid or unenforceable in whole or in material part, or (D) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes or the exemption of such interest on the Bonds from California personal income taxation;

(g) Preparation and distribution of the Preliminary Official Statement and the Official Statement have been duly authorized by the Board of Trustees; the information contained therein (excluding the statements and information relating to the book entry system and any information provided by the Underwriter, and so identified as source thereof, for inclusion in the Official Statement) is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation and warranty is made concerning statements and information relating to the book entry system[, any information relating to the Insurer or the Policy] or any information provided by the Underwriter, and so identified as source thereof, for inclusion in the final Official Statement;

(h) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement contain, and up to and including the Closing will contain, no material misstatement of any material fact and do not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in light of the circumstances in which such statements were made, not misleading. At the time of the Closing, there shall not have been any material adverse changes in the financial condition of the District since the date of the Official Statement;

(i) The District agrees that if at any time before the Closing any event occurs as a result of which the Official Statement as then in effect would include any untrue statement of a material fact or omit to state any fact necessary to make the statements made therein not

misleading in any material respect, the District shall promptly prepare an amendment or supplement that will correct such statement or omission. The District will advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and will effect such amendment or supplement in a form and manner approved by the Underwriter;

(j) The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which they are not so subject as of the date hereof;

(k) To assist the Underwriter in complying with the Rule, the District will undertake, pursuant to the Continuing Disclosure Certificate, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement;

(l) Except as disclosed in the Official Statement, in the preceding five years, the District has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of certain events;

(m) Between the date hereof and the Closing, without the prior written consent of the Underwriter, the District will not have issued any bonds, notes or other obligations for borrowed money except for such borrowing as may be described in or contemplated by the Official Statement;

(n) The District agrees to take all steps required by law and by the County of San Diego (the "County") to ensure that the Board of Supervisors of the County annually levies a tax upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds as and when the same become due;

(o) The audited financial statements of the District for the fiscal year ended June 30, 2015, were prepared in accordance with generally accepted accounting principles consistently applied and fairly present the financial position and results of operation of the District for the period and at the date set forth therein, and there has been no material adverse change in the business, affairs, financial position, results of operations or condition, financial or otherwise, of the District since the date of such financial statements, except as otherwise disclosed in the Official Statement;

(p) The District hereby represents that it has not entered into any contract or agreement that would limit or restrict the District's ability to refund the Prior Bonds or enter into this Bond Purchase Agreement for the sale of the Bonds to the Underwriter;

(q) The District will apply the proceeds from the Sale of the Bonds for the purposes specified in the Resolution and as described in the Official Statement; and

(r) Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.

**8. Representations, Warranties and Agreements of the Underwriter.** The Underwriter hereby represents, warrants and agrees with the District that:

(a) The Underwriter is duly authorized to execute this Bond Purchase Agreement and to take any action under this Bond Purchase Agreement required to be taken by it; and

(b) The Underwriter has, and has had, no financial advisory relationship (as such term is defined in California Government Code Section 53590) with the District with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship (as such term is defined in California Government Code Section 53590).

**9. Conditions to Closing.** The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Bond Purchase Agreement are and shall be subject at the option of the Underwriter, to the following further conditions at the Closing:

(a) The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District shall be in compliance with each of the agreements made by it in this Bond Purchase Agreement;

(b) At the time of the Closing, (i) the Official Statement, this Bond Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the parties hereto; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in this Bond Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate, or the Official Statement to be performed at or prior to the Closing;

(c) No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Bond Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, shall be pending (in which service of process has been completed against the District) or threatened (either in state or federal courts) (A) seeking to restrain or enjoin the execution, sale or delivery of any of the Bonds, (B) in any way contesting or affecting the authority for the execution, sale or delivery of the Bonds, this Bond Purchase Agreement, the Escrow Agreement or the Continuing

Disclosure Certificate, or (C) in any way contesting the existence or powers of the District, or contesting in any way the completeness or accuracy of the Official Statement;

(d) Between the date hereof and the Closing, the market price for the Bonds, or the market for or marketability or the ability of the Underwriter to enforce contracts for the sale of the Bonds at the initial offering prices set forth in the Official Statement, shall not have been materially adversely affected by reason of any of the following:

(1) legislation enacted by the Congress of the United States, or by the legislature of the State, or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court of the United States or the State or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service or other federal or State authority, which would have the purpose or effect of changing, directly or indirectly, the federal income tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof or State tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof; or

(ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Resolution is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(2) the declaration of war or engagement in or escalation of major military hostilities by the United States or the occurrence of any other national or international emergency or calamity or crisis relating to the effective operation of the government or the financial community in the United States;

(3) the declaration of a general banking moratorium by federal, New York or State authorities having jurisdiction, or the general suspension of trading on any national securities exchange or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on any national securities exchange, whether by virtue or a determination by that exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction or a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred;

(4) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the Securities and

Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Bond Purchase Agreement or by the Official Statement, or any other document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act and the Trust Indenture Act;

(5) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(6) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws, as amended and then in effect;

(7) the withdrawal or downgrading of any underlying rating or credit watch status or outlook of the District's outstanding indebtedness or any rating of the Insurer by a national rating agency;

(8) the occurrence of any adverse change of material nature of the financial condition, results of operation or properties of the District;

(9) there shall have occurred or any notice shall have been given of any intended downgrade, suspension, withdrawal or negative change in credit watch status by any national credit agency of the Insurer;

(10) the suspension by the Securities and Exchange Commission of trading in the outstanding securities of the District;

(11) any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the District;

(12) any amendment shall have been made to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the District, its property, income securities (or interest thereon) or the validity or enforceability of the levy of taxes to pay principal of and interest on the Bonds;

(13) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission; or

(14) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information set forth in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(e) At or prior to the Closing, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) A certificate of the Clerk of the Board of Trustees to the effect that (i) the copy of the Resolution attached thereto is a true and correct copy thereof, and (ii) the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the Closing; Date;

(2) Executed copies of the Escrow Agreement, the Continuing Disclosure Certificate and the Official Statement;

(3) An approving opinion of Bond Counsel, substantially in the form attached as Appendix \_\_ to the Official Statement, relating to the Bonds, dated the Closing Date and addressed to the District;

(4) A reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described in (e)(3) above;

(5) A certificate, dated the Closing Date, signed by an appropriate official of the District, to the effect that (i) such official is authorized to execute the Escrow Agreement, the Continuing Disclosure Certificate and this Bond Purchase Agreement, (ii) the representations and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the Escrow Agreement, the Continuing Disclosure Certificate and this Bond Purchase Agreement to be complied with by the District prior to or concurrently with the Closing and the Escrow Agreement, the Continuing Disclosure Certificate and this Bond Purchase Agreement are in full force and effect; (iv) to the best of such official's knowledge, no litigation is pending or threatened (either in state or federal courts) (A) seeking to restrain or enjoin the execution, sale or delivery of any of the Bonds, (B) in any way contesting or affecting the authority for the execution, sale or delivery of the Bonds, the Escrow Agreement, the Continuing Disclosure Certificate or this Bond Purchase Agreement, or (C) in any way contesting the existence or powers of the District, (v) such official has reviewed the Official Statement and on such basis

certifies that the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (vi) each of the conditions listed in Section 9(e) of this Bond Purchase Agreement has been satisfied on the date hereof and the District is not aware of any other condition of this Bond Purchase Agreement that has not been satisfied on the date hereof, and (vii) the Bonds being delivered on the Closing Date to the Underwriter under this Bond Purchase Agreement substantially conform to the descriptions thereof contained in the Resolution and this Bond Purchase Agreement;

(6) A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that (i) statements contained in the Official Statement under the captions [“THE SERIES 2016B BONDS” (excluding any and all information contained under the subheadings “– Authority for Issuance; Plan of Finance,” “– Bond Insurance,” “– Outstanding Bonds,” “– Debt Service,” “– Aggregate Debt Service” and “– Estimated Sources and Uses of Funds”) and “TAX MATTERS,”] excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Bonds and the Resolution, and the form and content of Bond Counsel’s approving opinion, are accurate in all material respects, (ii) assuming due authorization, execution and delivery by all the parties thereto other than the District, the Continuing Disclosure Certificate, the Escrow Agreement and this Bond Purchase Agreement have each been duly executed and delivered by the District and constitute valid and binding obligations of the District, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought (provided that no opinion need be rendered regarding the adequacy of the Continuing Disclosure Certificate for purposes of the Rule), and (iii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(7) The opinion of Orrick, Herrington & Sutcliffe LLP, as disclosure counsel to the District (“Disclosure Counsel”), addressed to the District and the Underwriter, dated the Closing Date, to the effect that based on such counsel’s participation in conferences with representatives of the Underwriter, the District, the Paying Agent, [the Insurer,] their respective counsel, Dale Scott & Company, Inc., as financial advisor to the District, and others, during which conferences the contents of the Official Statement and related matters were discussed (but with no inquiry made of other attorneys in such counsel’s firm not working directly on the issuance of the Bonds who may have information material to the issue), and in reliance thereon and on the records, documents, certificates and opinions described therein, such counsel advises the District and the Underwriter, as a matter of fact and not opinion, that, during the course of its engagement as disclosure counsel no facts came to the



attention of such counsel's attorneys rendering legal services in connection with such representation which caused such counsel to believe that the Official Statement as of its date and as of the Closing Date (except for any CUSIP numbers, financial, accounting, statistical, economic or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about DTC or its book-entry system, litigation, ratings, rating agencies, the Underwriter, underwriting, and Appendices \_\_, \_\_, \_\_ and \_\_, included or referred to therein, as to which such counsel need express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(8) A non-arbitrage certificate of the District relating to the Bonds in form satisfactory to Bond Counsel;

(9) Evidence satisfactory to the Underwriter that any ratings described in the Official Statement are in full force and effect as of the Closing Date;

(10) A certificate of the Escrow Bank dated the Closing Date, signed by a duly authorized officer of the Escrow Bank, and in form and substance satisfactory to the Underwriter, to the effect that (i) to the best of such officer's knowledge, the representations and agreements of the Escrow Bank in the Escrow Agreement are true and correct as of the Closing Date, (ii) the Escrow Agreement has been duly authorized, executed and delivered and, assuming due execution by the other parties thereto, is enforceable against the Escrow Bank in accordance with its terms; and (iii) to such officer's knowledge, no litigation is pending or threatened (either in state or federal courts) in any way contesting or affecting any authority of the Escrow Bank for or in connection with its performance of the Escrow Agreement;

(11) A report by Causey, Demgen & Moore P.C., verifying the arithmetical accuracy of the computation of projected receipts for and of payments to retire the Prior Bonds (the "Verification Report");

(12) A defeasance opinion of Bond Counsel, dated the Closing Date and addressed to the District and the Underwriter, to the effect that, upon the deposit of cash and certain proceeds of the Bonds into the escrow funds established under the Escrow Agreement as provided in the resolutions pursuant to which the Prior Bonds were issued, and the investment of money and securities in accordance with the provisions of the Escrow Agreement, the Prior Bonds will have been satisfied and discharged and are no longer outstanding under said resolutions. In rendering this opinion, Bond Counsel may rely on the Verification Report as to the mathematical accuracy of the schedules with respect to the sufficiency of the escrow funds established to pay the Prior Bonds and will not independently verify the accuracy of the information contained in the Verification Report;

(13) An opinion of \_\_\_\_\_, as Underwriter's Counsel, addressed to the Underwriter in form and substance satisfactory to the Underwriter;

(14) [The Policy;]

(15) [A certificate of the Insurer in form and substance satisfactory to Bond Counsel and the Underwriter;]

(16) [An opinion of counsel to the Insurer in form and substance satisfactory to Bond Counsel and the Underwriter; and]

(17) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence (i) compliance by the District and the Paying Agent with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the District herein contained, and (iii) the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

If the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Bond Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be canceled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

**10. Conditions to Obligations of the District.** The performance by the District of its obligations is conditioned upon (a) the performance by the Underwriter of its obligations hereunder; and (b) receipt by the District and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the District.

**11. Expenses.** The District shall to the extent permitted by applicable law pay all expenses incident to the performance of its obligations hereunder from the proceeds of the sale of the Bonds, including, but not limited to (a) the costs of the preparation and reproduction of the Resolution, the Bonds, this Bond Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate, (b) the cost of the printing and distribution of the Preliminary Official Statement and the Official Statement, (c) the cost of the preparation, printing and delivery of the Bonds, (d) the fees and disbursements of Bond Counsel and Disclosure Counsel, and any other consultants to the District, including the District's financial advisor, (e) the fees for the Bond rating, including all necessary expenses for travel relating to such rating, (f) the initial fees of the Paying Agent and the fees of the Escrow Bank, (g) the costs of the preparation of the Verification Report, [(h) any premium for the Policy and related fees and expenses,] and (i) all other fees and expenses incident to the issuance and sale of the Bonds. All out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, expenses for travel (except in connection with securing a rating

on the Bonds or sale of the Bonds), the fees and disbursements of Underwriter's counsel and other expenses (except as provided above) shall be paid by the Underwriter.

**12. Notices.** Any notice or other communication to be given under this Bond Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the District, to the Santee School District at 9625 Cuyamaca Street, Santee, California 92071, Attention: Assistant Superintendent, Business Services, or if to the Underwriter, to \_\_\_\_\_, Attention: \_\_\_\_\_.

**13. Severability.** In the event any provision of this Bond Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**14. Parties in Interest; Survival of Representations and Warranties.** This Bond Purchase Agreement when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriter. This Bond Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All the representations, warranties and agreements of the District in this Bond Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriter for the Bonds hereunder, and (c) any termination of this Bond Purchase Agreement.

**15. Execution in Counterparts.** This Bond Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

16. **Applicable Law.** This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State applicable to contracts made and performed in the State.

Very truly yours,

**[UNDERWRITER]**

By: \_\_\_\_\_  
Authorized Representative

Accepted: \_\_\_\_\_, 2016

**SANTEE SCHOOL DISTRICT**

Time: \_\_\_\_\_ p. m.

By: \_\_\_\_\_

**EXHIBIT A**

**MATURITY SCHEDULE**

\$ \_\_\_\_\_  
**Santee School District**  
**(San Diego County, California)**  
**General Obligation Refunding Bonds, Series 2016B**

<b><u>Maturity</u></b> <b><u>(August 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>
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**TERMS OF REDEMPTION**

## PAYING AGENT AGREEMENT

THIS PAYING AGENT AGREEMENT (the "Agreement"), is entered into as of \_\_\_\_\_, 2016, between *the Santee School District (the "District"), and the County of San Diego acting through the Office of the Treasurer–Tax Collector, San Diego County, California (the "County")*, as Paying Agent and Registrar.

### RECITALS

WHEREAS the District has duly authorized and provided for the issuance of its Bonds, entitled the "Santee School District (San Diego County, California) General Obligation Refunding Bonds, Series 2016B" (the "Bonds") in an aggregate principal amount of \$\_\_\_\_\_. The Bonds will be issued as fully registered bonds without coupons;

WHEREAS the District will ensure that all things necessary to make the Bonds the valid obligations of the District, in accordance with their terms and the requirements of State of California ("State") law, will be done upon the issuance, sale and delivery thereof;

WHEREAS the District and the County wish to provide the terms under which County will act as Paying Agent to pay the principal, redemption premium (if any), and interest on the Bonds, in accordance with the terms thereof, and under which the County will act as Registrar for the Bonds;

WHEREAS the County has agreed to serve in such capacities for and on behalf of the District and has full power and authority to perform and serve as Paying Agent and Registrar for the Bonds;

WHEREAS the District and the County have each authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement a valid agreement have been done.

NOW, THEREFORE, it is mutually agreed as follows:

### ARTICLE ONE

#### DEFINITIONS

##### Section 1.01. Definitions.

For all purposes of this Agreement except as otherwise expressly provided or unless the context otherwise requires:

"Bond" or "Bonds" means any one or all of the \$\_\_\_\_\_ in aggregate principal amount of bonds entitled "Santee School District (San Diego County, California) General Obligation Refunding Bonds, Series 2016B."

"Bond Register" means the book or books of registration kept by the County in which are maintained the names and addresses of, and principal amounts registered to, each Registered Owner.

"Bond Resolution" means the Resolution of the District pursuant to which the Bonds were issued.

“County” means the Office of the Treasurer–Tax Collector, County of San Diego, California.

“District” means the Santee School District.

“District Request” means a written request signed in the name of the District and delivered to the County.

“DTC” or “Depository” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as securities depository for the Bonds.

“Fiscal Year” means the fiscal year of the District ending on June 30 of each year.

“Paying Agent” means the County when it is performing the function of paying agent for the Bonds.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

“Purchase Agreement” means that certain Bond Purchase Agreement entered into by and between the District and the initial Underwriter of the Bonds. A copy of the Purchase Agreement shall be included in the transcript of proceedings prepared for the Bonds and furnished to the County.

“Registered Owner” means a Person in whose name a Bond is registered in the Bond Register.

“Registrar” means the County when it is performing the function of registrar and/or transfer agent for the Bonds.

## ARTICLE TWO

### APPOINTMENT OF COUNTY AS PAYING AGENT AND REGISTRAR

#### Section 2.01. Appointment and Acceptance.

The District hereby appoints the County to act as Paying Agent with respect to the Bonds, to pay, or to provide for payment, to the Registered Owners in accordance with the terms and provisions of this Agreement and the Bond Resolution, the principal of, redemption premium (if any), and interest on all or any of the Bonds.

The District hereby appoints the County as Registrar with respect to the Bonds. As Registrar, the County shall keep and maintain for and on behalf of the District books and records as to the ownership of the Bonds and with respect to the transfer and exchange thereof as provided herein and in the Bond Resolution.

The County hereby accepts its appointment, and agrees to act as Paying Agent and Registrar.

Section 2.02. Compensation.

As compensation for the County's services as Paying Agent and Registrar, the District hereby agrees to pay the County the fees and amounts set forth in Exhibit A.

In addition, the District agrees to reimburse the County, upon its request, for all reasonable and necessary out-of-pocket expenses, disbursements, and advances, including without limitation the reasonable fees, expenses, and disbursements of its agents and attorneys made or incurred by the County in connection with entering into and performing under this Agreement, and in connection with investigating and defending itself against any claim or liability in connection with its performance hereunder.

ARTICLE THREE

PAYING AGENT

Section 3.01. Duties of Paying Agent.

As Paying Agent, the County, provided sufficient collected funds have been provided to it for such purpose by or on behalf of the District, shall pay on behalf of the District the principal of, redemption premium (if any), and interest on each Bond in accordance with the provisions of the Bond Resolution.

As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC.

Section 3.02. Payment Dates.

The District hereby instructs the County to pay the principal of, redemption premium (if any), and interest on the Bonds on the dates specified in the Bond Resolution.

ARTICLE FOUR

REGISTRAR

Section 4.01. Initial Delivery of Bonds.

The Bonds will be initially registered and delivered to or upon the order of the purchaser designated by the District as one Bond for each maturity. If such purchaser delivers a written request to the County not later than five business days prior to the date of initial delivery, the County will, on the date of initial delivery, deliver Bonds of authorized denominations, registered in accordance with the instructions in such written request.

Section 4.02. Duties of Registrar.

The County shall provide for the proper registration of transfer, exchange and replacement of the Bonds. Every Bond surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature of which has been guaranteed by an eligible guarantor institution, in a form acceptable to the County, duly executed by the Registered Owner thereof or his attorney duly authorized in writing. The Registrar may request any supporting documentation it deems necessary or appropriate to effect a re-registration.



Any Bond may be exchanged for Bonds of the same series of like tenor, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent.

Section 4.03. Unauthenticated Bonds.

The District shall provide to the County on a continuing basis, an adequate inventory of unauthenticated Bonds to facilitate transfers. The County agrees that it will maintain such unauthenticated Bonds in safekeeping.

Section 4.04. Form of Bond Register.

The County as Registrar will maintain its records as Bond Registrar in accordance with the County's general practices and procedures in effect from time to time. The County as Paying Agent will keep or cause to be kept at its principal office sufficient books for the registration and transfer of the Bonds, which upon reasonable notice shall be open to inspection by the District.

Section 4.05. Reports.

The District may request the information in the Bond Register at any time the County is customarily open for business, provided that reasonable time is allowed the County to provide an up-to-date listing and to convert the information into written form.

The County will not release or disclose the content of the Bond Register to any person other than to the District at its written request, except upon receipt of a subpoena or court order or as may otherwise be required by law. Upon receipt of a subpoena or court order the County will notify the District.

Section 4.06. Cancelled Bonds.

All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the County, shall be promptly cancelled by it and, if surrendered to the District, shall be delivered to the County and, if not already cancelled, shall be promptly cancelled by the County. The District may at any time deliver to the County for cancellation any Bonds previously authenticated and delivered which the District may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the County. All cancelled Bonds shall be held by the County for its retention period then in effect and shall thereafter be destroyed and evidence of such destruction furnished to the District upon its written request.

## ARTICLE FIVE

### THE COUNTY

#### Section 5.01. Duties of County.

The County undertakes to perform the duties set forth herein. No implied duties or obligations shall be read into this Agreement against the County. The County hereby agrees to use the funds deposited with it for payment of the principal of, redemption premium (if any), and interest on the Bonds to pay the same as it shall become due and further agrees to establish and maintain such accounts and funds as may be required for the County to function as Paying Agent.

#### Section 5.02. Reliance on Documents, Etc.

The County may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the County by the District.

No provision of this Agreement shall require the County to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

The County may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The County need not examine the ownership of any Bond, but shall be protected in acting upon receipt of Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Registered Owner or agent of the Registered Owner.

The County has 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 or interest on the Bonds.

The County may consult with counsel, and the written advice or opinion of counsel shall be full authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

The County may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys and shall not be liable for the actions of such agent or attorney if appointed by it with reasonable care.

#### Section 5.03. Recitals of District.

The recitals contained in the Bond Resolution and the Bonds shall be taken as the statements of the District, and the County assumes no responsibility for their correctness.

Section 5.04. May Own Bonds.

The County, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not the Paying Agent and Registrar for the Bonds.

Section 5.05. Money Held by County.

Money held by the County hereunder need not be segregated from other funds. Money held hereunder will be deposited in the District's interest and sinking fund and invested in the County investment pool and invested by the County Treasurer pursuant to its duties as Treasurer prior to the principal and interest payment dates of the Bonds and the District is entitled to receive interest earnings on such funds.

Any money deposited with or otherwise held by the County for the payment of the principal, redemption premium (if any), or interest on any Bond and remaining unclaimed for one year after such deposit will be paid by the County to the District, and the District and the County agree that the Registered Owner of such Bond shall thereafter look only to the District for payment thereof, and that all liability of the County with respect to such moneys shall thereupon cease.

Section 5.06. Other Transactions.

The County may engage in or be interested in any financial or other transaction with the District.

Section 5.07. Interpleader.

The District and the County agree that the County may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The District and the County further agree that the County has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

Section 5.08. Indemnification.

The District shall indemnify the County, its officers, directors, employees and agents ("Indemnified Parties") for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the County's acceptance or administration of the County's duties hereunder or under the Bond Resolution (except any loss, liability or expense as may be adjudged by a court of competent jurisdiction to be attributable to the County's negligence or willful misconduct), including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. Such indemnity shall survive the termination or discharge of this Agreement or discharge of the Bonds.

## ARTICLE SIX

### MISCELLANEOUS PROVISIONS

Section 6.01. Amendment.

This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 6.02. Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other party.

Section 6.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the District or the County shall be mailed or delivered to the District or the County, respectively, at the address shown herein, or such other address as may have been given by one party to the other by fifteen (15) days written notice.

Section 6.04. Effect of Headings.

The Article and Section headings herein are for convenience of reference only and shall not affect the construction hereof.

Section 6.05. Successors and Assigns.

All covenants and agreements herein by the District and the County shall bind their successors and assigns, whether so expressed or not.

Section 6.06. Severability.

If any provision of this Agreement shall be determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

Section 6.07. Benefits of Agreement.

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 6.08. Entire Agreement.

This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the County acting as Paying Agent and Registrar. In the event of any conflict between any provision of this Agreement and the Bond Resolution, the terms of the Bond Resolution shall govern.

Section 6.09. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Term and Termination.

This Agreement shall be effective from and after its date and until the County resigns or is removed by an instrument filed with the County and signed by the District in accordance with the Bond Resolution. The County may resign at any time and be discharged of its duties and obligations by giving written notice thereof to the District. If the County shall resign, be removed or become incapable of acting, the District shall promptly appoint a successor Paying Agent and Registrar. A successor Paying Agent shall be appointed by the District with the written consent of the County Treasurer, which consent shall not be unreasonably withheld. If an instrument of acceptance by a successor Paying Agent and Registrar shall not have been delivered to the County within thirty days after the County gives notice of resignation, the County may petition any court of competent jurisdiction at the expense of the District for the appointment of a successor Paying Agent and Registrar. In the event of resignation or removal of the County as Paying Agent and Registrar, upon the written request of the District and upon payment of all amounts owing to the County hereunder the County shall deliver to the District or its designee all funds and unauthenticated Bonds, and a copy of the Bond Register. The provisions of Section 5.08 hereof shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11. Governing Law.

This Agreement shall be construed in accordance with and shall be governed by the laws of the State of California.

Section 6.12. Documents to be Filed with County.

At the time of the County's appointment as Paying Agent and Registrar, the District shall file with the County the following documents: (a) certified copies of the Bond Resolution and a specimen Bond; (b) a copy of the opinion of bond counsel provided to the District in connection with the issuance of the Bonds; (c) a District Request containing written instructions to the County with respect to the issuance and delivery of the Bonds, including the name of the Registered Owners and the denominations of the Bonds; and (d) if bond proceeds are to be held at the County, a Closing Memorandum Addendum, to be reviewed by Bond Counsel, providing instructions to the County for the deposit of all bond proceeds.

IN WITNESS WHEREOF, the District has caused this Paying Agent Agreement to be signed in its name by its representative thereunto duly authorized, and the County has caused this Paying Agent Agreement to be signed in its name by its officer thereunto duly authorized, all as of the day and year first above written.

\_\_\_\_\_ **SCHOOL DISTRICT**

By \_\_\_\_\_  
Authorized Representative

**COUNTY OF SAN DIEGO, OFFICE OF THE  
TREASURER-TAX COLLECTOR OF THE  
COUNTY OF SAN DIEGO, CALIFORNIA, as  
Paying Agent**

By \_\_\_\_\_  
Treasurer-Tax Collector or Designee

**APPROVED AS TO FORM:**

By \_\_\_\_\_  
Senior Deputy County Counsel

EXHIBIT A PAYING AGENT FEE SCHEDULE

Service Type	Fee	Frequency
A bond with no series	\$1500	At closing and annually
A bond with series Each additional series	\$1,000 per issue Add \$500 per series	At closing and \$1500 annually

Note: The District is responsible for any extraordinary costs associated with paying agent activities as provided in Section 2.02. The District will be notified of any extraordinary costs.

## CONTINUING DISCLOSURE CERTIFICATE

**THIS CONTINUING DISCLOSURE CERTIFICATE** (this “Disclosure Certificate”) is executed and delivered by the Santee School District (the “District”) in connection with the issuance of \$ \_\_\_\_\_ aggregate principal amount of Santee School District (San Diego County, California) General Obligation Refunding Bonds, Series 2016B (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on October 18, 2016 (the “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 Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

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

“Dissemination Agent” shall mean Dale Scott & Company, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

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

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

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

“Official Statement” shall mean the Official Statement, dated \_\_\_\_\_, 2016 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

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

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



**Section 3. Provision of Annual Reports.** (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due date shall be March 31 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2015-16 fiscal year (which is due no later than March 31, 2017), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. 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(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send a notice in a timely manner to the MSRB, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; 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 to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

**Section 4. Content of Annual Reports.** The District's Annual Report shall contain or include by reference the following:

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

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;

(ii) pension plan contributions made by the District for the preceding fiscal year;

(iii) aggregate principal amount of short-term borrowings, lease obligations and long-term borrowings of the District as of the end of the preceding fiscal year;

(iv) description of the amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;

(v) the District's total local control funding formula and State revenue limit for the preceding fiscal year;

(vi) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy; and

(vii) current fiscal year assessed valuation of taxable properties in the District.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b) hereof, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

**Section 5. Reporting of Significant Events.** (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of the credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person.

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

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

(i) unless described in paragraph 5(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) optional, unscheduled or contingent Bond calls;

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

(v) non-payment related defaults;

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

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

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

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

**Section 6. Termination of Reporting Obligation.** The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

**Section 7. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Dale Scott & Company, Inc.

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

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

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

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the 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.

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

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

**Section 10. Default.** In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of San Diego or in U.S. District Court in or nearest to the County of San Diego. A default under this Disclosure Certificate shall not be deemed an event of default under the 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 (if the Dissemination Agent is other than the District), 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 Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: \_\_\_\_\_, 2016

**SANTEE SCHOOL DISTRICT**

By: \_\_\_\_\_

ACCEPTED AND AGREED TO:

**DALE SCOTT & COMPANY, INC., as  
Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

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

Name of Issuer:                   SANTEE SCHOOL DISTRICT  
Name of Issue:                   Santee School District (San Diego County, California) General  
  Obligation Refunding Bonds, Series 2016B  
Date of Issuance:               \_\_\_\_\_, 2016

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated \_\_\_\_\_, 2016. [The District anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

**SANTEE SCHOOL DISTRICT**

NEW ISSUE — BOOK-ENTRY ONLY

Rating: S&P “\_\_\_”  
(See “MISCELLANEOUS – Rating” herein.)

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Refunding Bonds. See “TAX MATTERS” herein.*

\$ \_\_\_\_\_ \*

**SANTEE SCHOOL DISTRICT**  
**(San Diego County, California)**  
**General Obligation Refunding Bonds, Series 2016B**

**Dated: Date of Delivery****Due: August 1, as shown herein**

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

The Santee School District (San Diego County, California) General Obligation Refunding Bonds, Series 2016B (the “Refunding Bonds”) are being issued by the Santee School District (the “District”), located in the County of San Diego (the “County”), (i) to advance refund a portion of the outstanding Santee School District (San Diego County, California) General Obligation Bonds, 2006 Election, Series B, and (ii) to pay costs of issuance of the Refunding Bonds. The Refunding Bonds are being issued under the laws of the State of California (the “State”) and pursuant to a resolution of the Board of Education of the District, adopted on October 18, 2016.

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

The Refunding Bonds will be issued as current interest bonds as set forth on the inside front cover hereof. Interest on the Refunding Bonds is payable on each February 1 and August 1 to maturity, commencing February 1, 2017. Principal of the Refunding Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Refunding Bonds will be issued in denominations of \$5,000 principal amount or any integral multiple thereof as shown on the inside front cover hereof.

As more fully described herein, the District may obtain a municipal bond insurance policy to guarantee the scheduled payment of principal of and interest on the Refunding Bonds as such payments become due. The District’s decision whether or not to obtain such a policy will be made at or about the time of pricing of the Refunding Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or less than all of the Refunding Bonds.

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 The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Refunding Bonds. Individual purchases of the Refunding Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Refunding Bonds purchased by them. See “THE REFUNDING BONDS – Form and Registration” herein. Payments of the principal of and interest on the Refunding Bonds will be made by the Treasurer-Tax Collector of the County, as paying agent, registrar and transfer agent with respect to the Refunding Bonds, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Refunding Bonds. See “THE REFUNDING BONDS – Payment of Principal and Interest” herein.

**The Refunding Bonds are subject to redemption prior to maturity as described herein. See “THE REFUNDING BONDS — Redemption” herein.**

*The Refunding Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, as Underwriter’s Counsel. It is anticipated that the Refunding Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about \_\_\_\_\_, 2016.*

**[Underwriter]**

Dated: \_\_\_\_\_, 2016.

\* Preliminary; subject to change.



**MATURITY SCHEDULE\***  
**BASE CUSIP<sup>1</sup>: 802853**

\$ \_\_\_\_\_  
**SANTEE SCHOOL DISTRICT**  
**(San Diego County, California)**  
**General Obligation Refunding Bonds, Series 2016B**

\$ \_\_\_\_\_ **Serial Refunding Bonds**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number <sup>1</sup>
2017	\$	%	%	
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				

\$ \_\_\_\_\_ % Term Refunding Bonds Due August 1, 20\_\_ Yield \_\_\_\_\_ % - CUSIP Number<sup>1</sup> - \_\_\_\_\_

\$ \_\_\_\_\_ % Term Refunding Bonds Due August 1, 20\_\_ Yield \_\_\_\_\_ % - CUSIP Number<sup>1</sup> - \_\_\_\_\_

\* Preliminary; subject to change.

<sup>1</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

**SANTEE SCHOOL DISTRICT  
(SAN DIEGO COUNTY, CALIFORNIA)**

**BOARD OF EDUCATION**

Barbara Ryan, *President*  
Elana Levens-Craig, *Vice President*  
Dianne El-Hajj, *Clerk*  
Dustin Burns, *Member*  
Ken Fox, *Member*

**DISTRICT ADMINISTRATORS**

Cathy A. Pierce, Ed.D., *Superintendent*  
Karl Christensen, MBA, *Assistant Superintendent, Business Services*

**PROFESSIONAL SERVICES**

**Financial Advisor**

Dale Scott & Company  
*San Francisco, California*

**Bond Counsel and Disclosure Counsel**

Orrick, Herrington & Sutcliffe LLP  
*Irvine, California*

**Paying Agent**

County of San Diego Treasurer-Tax Collector  
*San Diego, California*

**Escrow Agent**

U.S. Bank National Association  
*Los Angeles, California*

**Verification Agent**

Causey Demgen & Moore P.C.  
*Denver, Colorado*

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

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

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

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

**In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Refunding Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Refunding Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.**

§ \_\_\_\_\_ \*

**SANTEE SCHOOL DISTRICT**  
**(San Diego County, California)**  
**General Obligation Refunding Bonds, Series 2016B**

**INTRODUCTION**

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

**General**

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of \$ \_\_\_\_\_\* aggregate principal amount of Santee School District (San Diego County, California) General Obligation Refunding Bonds, Series 2016B (the “Refunding Bonds”), to be offered by the Santee School District (the “District”).

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

The purpose of this Official Statement is to supply information to prospective buyers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds, the resolutions of the Board of Education of the District providing for the issuance of the Refunding Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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

Copies of documents referred to herein and information concerning the Refunding Bonds are available from the District by contacting: Santee School District, 9625 Cuyamaca Street, Santee, California 92071, Attention: Assistant Superintendent, Business Services. The District may impose a charge for copying, handling and mailing such requested documents.

**The District**

The District, established in 1893, encompasses approximately 16.56 square miles in the eastern portion of the County of San Diego (the “County”). The District is located in the City of Santee, and it serves portions of the Cities of Santee, El Cajon, and San Diego, and an unincorporated area of San Diego County. The District provides public education services for grades pre-kindergarten through eight. The District operates one elementary school serving grades kindergarten through six, eight elementary schools

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\* Preliminary; subject to change.

servings grades kindergarten through eight, an alternative home school program and three preschool programs. Enrollment in the District for fiscal year 2016-17 is estimated to be 6,765 students. The District operates under the jurisdiction of the San Diego County Superintendent of Schools.

For additional information about the District, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET” and APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015.”

## **THE REFUNDING BONDS**

### **Authority for Issuance; Plan of Finance**

The Refunding Bonds are issued by the District pursuant to the Constitution and laws of the State, including Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code and other applicable provisions of law, and pursuant to a resolution adopted by the Board of Education of the District on October 18, 2016, providing for the issuance of the Refunding Bonds (the “Resolution”). Proceeds from the Refunding Bonds will be used (i) to refund, on an advance basis, a portion of the outstanding Santee School District (County of San Diego, California) General Obligation Bonds, 2006 Election, Series B (the “Series 2006B Bonds”), and (ii) to pay costs of issuance of the Refunding Bonds. See “–Plan of Refunding” and “–Estimated Sources and Uses of Funds” below.

### **Possible Municipal Bond Insurance**

In connection with the issuance of the Refunding Bonds, the District has applied for, and may obtain a municipal bond insurance policy to guarantee the scheduled payment of principal of and interest on all or a portion of the Refunding Bonds as such payments shall become due.

No assurance can be given as to whether a commitment will be issued by an insurer to the District and, if a commitment is issued by an insurer to the District, no assurance can be given as to (a) whether the District will decide to obtain an insurance policy from an insurer in connection with the issuance of the Refunding Bonds, or (b) whether the District will insure all or less than all of the Refunding Bonds. If a commitment is issued by an insurer to the District, the District’s decision as to whether or not the insurance policy will be obtained from an insurer with respect to all or a portion of the Refunding Bonds will be made at or about the time of the pricing of the Refunding Bonds and will be based upon, among other things, market conditions at the time of such pricing. If the District does decide to obtain an insurance policy from an insurer, it will be a condition to the issuance of the Refunding Bonds that such insurance policy be issued concurrently with the issuance of the Refunding Bonds.

In the event the District does decide to obtain a municipal bond insurance policy from an insurer, the insured Refunding Bonds (the “Insured Bonds”) would be assigned an insured rating from one or more of the rating agencies assigning the underlying ratings to the Refunding Bonds based solely as a result of the issuance of such insurance policy, and such rating(s) would reflect the applicable rating agency’s view of the claims-paying ability and financial strength of the applicable insurer. The financial strength and claims paying ability of any insurer are predicated upon a number of factors which could change over time. Neither the District nor the Underwriter has made any independent investigation into the claims paying ability of any insurer, and no assurance or representation regarding the financial strength or projected financial strength of any insurer is given. In addition, no assurance is made that any insured rating of the Insured Bonds would not be subject to downgrade. The existence of any insurance policy will not, of itself, negatively affect the underlying ratings assigned to the Refunding Bonds. Without regard to any bond insurance, the Refunding Bonds are payable from the proceeds of an *ad valorem* tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by

the County on property within the District in an amount sufficient for the timely payment of principal of and interest on the Refunding Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS.” However, any downward revision or withdrawal of any rating of an insurer may have an adverse effect on the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds.

In the event of default of the payment of principal of or interest on the Insured Bonds, if any, when all or some becomes due, any owner of the Insured Bonds would have a claim under any applicable municipal bond insurance policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of optional redemption or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments would be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. No municipal bond insurance policy would insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional redemption of the Insured Bonds by the issuer which is recovered from an Insured Bond owner as a voidable preference under applicable bankruptcy law would be covered by any municipal bond insurance policy; however, such payments would be made by the applicable insurer at such time and in such amounts as would have been due absent such redemption unless the insurer were to choose to pay such amounts at an earlier date.

In the event any insurer becomes obligated to make payments with respect to any Insured Bonds, no assurance is given that such event will not adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds. The obligations of any insurer are contractual obligations and, in an event of default by an insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

### **Form and Registration**

The Refunding Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 principal amount or integral multiples thereof. The Refunding Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Refunding Bonds. Purchases of Refunding Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Refunding Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Refunding Bonds, beneficial owners (“Beneficial Owners”) will not receive physical certificates representing their ownership interests. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

### **Payment of Principal and Interest**

*Interest.* The Refunding Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an “Interest Payment Date”), commencing on February 1, 2017, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Refunding Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the “Record Date”) and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Refunding Bond, interest is in default on any outstanding Refunding Bonds, such Refunding Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Refunding Bonds.



**Payment of Refunding Bonds.** The principal of the Refunding Bonds is payable in lawful money of the United States of America upon the surrender thereof at the office of the Treasurer-Tax Collector of the County, as paying agent (the "Paying Agent"), at the maturity thereof or upon redemption prior to maturity.

Interest on the Refunding Bonds is payable in lawful money of the United States of America by check mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least \$1,000,000 of outstanding Refunding Bonds who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Refunding Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

**Redemption\***

**Optional Redemption.** The Refunding Bonds maturing on or before August 1, 2026, are not subject to optional redemption prior to their respective stated maturity dates. The Refunding Bonds maturing on or after August 1, 2027, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2026, at a redemption price equal to the principal amount of the Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

**Mandatory Sinking Fund Redemption.** The \$\_\_\_\_\_ term Refunding Bonds maturing on August 1, 20\_\_ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

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

† Maturity.

The principal amount of the \$\_\_\_\_\_ term Refunding Bonds maturing on August 1, 20\_\_ to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of each such term Refunding Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The \$\_\_\_\_\_ term Refunding Bonds maturing on August 1, 20\_\_ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set

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\* Preliminary; subject to change.

forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
_____	\$ _____

†

\_\_\_\_\_† Maturity.

The principal amount of the \$\_\_\_\_\_ term Refunding Bonds maturing on August 1, 20\_\_ to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of each such term Refunding Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

**Notice of Redemption.** Notice of any redemption of the Refunding Bonds shall be mailed by the Paying Agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the applicable Continuing Disclosure Certificate.

Each notice of redemption shall state (i) the date of such notice; (ii) the name of the Refunding Bonds and the date of issue of the Refunding Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Refunding Bonds to be redeemed; (vi) if less than all of the Refunding Bonds of any maturity are to be redeemed, the distinctive numbers of the Refunding Bonds of each maturity to be redeemed; (vii) in the case of Refunding Bonds redeemed in part only, the respective portions of the principal amount of the Refunding Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Refunding Bonds to be redeemed; (ix) a statement that such Refunding Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Refunding Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice.

**Effect of Notice of Redemption.** A certificate of the Paying Agent that notice of redemption has been given to Owners as herein provided shall be conclusive as against all parties. Neither the failure to receive the notice of redemption as provided in this Section, nor any defect in such notice shall affect the sufficiency of the proceedings for the redemption of the Refunding Bonds called for redemption or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given substantially as provided for herein, and when the redemption price of the Refunding Bonds called for redemption is set aside for the purpose of redeeming the Refunding Bonds, the Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Refunding Bonds so called for redemption after such redemption date shall be entitled to payment thereof only from the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund of the District") or the trust fund established for such purpose. All Refunding Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

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

**Funds for Redemption.** Prior to or on the redemption date of any Refunding Bonds there shall be available in the Interest and Sinking Fund of the District, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices as provided in the Resolution provided, the Refunding Bonds designated in the notice of redemption. Such monies shall be applied on or after the redemption date solely for payment of principal of, interest and premium, if any, on the Refunding Bonds to be redeemed upon presentation and surrender of such Refunding Bonds, provided that all monies in the Interest and Sinking Fund of the District shall be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the Interest and Sinking Fund of the District, unless otherwise provided to be paid from such monies held in trust. If, after all of the Refunding Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Interest and Sinking Fund of the District or otherwise held in trust for the payment of redemption price of the Refunding Bonds, the monies shall be held in or returned or transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from such fund; provided, however, that if the monies are part of the proceeds of bonds of the District, the monies shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the District are at such time outstanding, the monies shall be transferred to the general fund of the District as provided and permitted by law.

**Defeasance of Refunding Bonds**

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

## Unclaimed Moneys

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

## Plan of Refunding\*

The proceeds of the Refunding Bonds will be issued (i) to refund and defease, on an advance basis, the District's outstanding Series 2006B Bonds, maturing on August 1 in the years 2020 through 2029, inclusive, 2033, 2038 and 2048 (the "Prior Bonds"), and (ii) to pay certain costs of issuance of the Refunding Bonds.

### SANTEE SCHOOL DISTRICT (San Diego County, California) Prior Bonds to be Refunded\*

Maturities to be Refunded	Principal Amount to be Refunded	CUSIP Number <sup>1</sup>	Redemption Date	Redemption Price
2020	\$190,000	802853 FS5	August 1, 2018	100%
2021	195,000	802853 FT3	August 1, 2018	100
2022	205,000	802853 FU0	August 1, 2018	100
2023	215,000	802853 FV8	August 1, 2018	100
2024	225,000	802853 FW6	August 1, 2018	100
2025	235,000	802853 FX4	August 1, 2018	100
2026	245,000	802853 FY2	August 1, 2018	100
2027	255,000	802853 FZ9	August 1, 2018	100
2028	265,000	802853 GA3	August 1, 2018	100
2029	280,000	802853 GB1	August 1, 2018	100
2033	1,260,000	802853 GF2	August 1, 2018	100
2038	1,960,000	802853 GL9	August 1, 2018	100
2048	5,710,000	802853 GW5	August 1, 2018	100

The maturities of the District's outstanding Series 2006B Bonds listed in the following table will not be refunded with proceeds of the Refunding Bonds.

\* Preliminary; subject to change.

<sup>(1)</sup> CUSIP numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such CUSIP numbers.

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
Unrefunded Series 2006B Bonds**

**Capital Appreciation Bonds**

Maturity Date	Unrefunded Principal Amount	Maturity Value for CABs	CUSIP Number <sup>(1)</sup>
2017	\$67,431.00	\$190,000	802853 FP1
2018	60,013.40	190,000	802853 FQ9
2019	95,936.70	190,000	802853 FR7

The District and U.S. Bank National Association, as escrow bank (the “Escrow Bank”) will enter into the Escrow Agreement, dated as of \_\_\_\_\_ 1, 2016 (the “Escrow Agreement”), with respect to the Prior Bonds being refunded, pursuant to which the District will deposit a portion of the proceeds from the sale of the Refunding Bonds into a special fund to be held by the Escrow Bank. The amounts deposited with the Escrow Bank with respect to the Prior Bonds, which will be held pursuant to the Escrow Agreement, will be used to purchase direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, the principal of which and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank to pay the interest due on the Prior Bonds being refunded to the redemption date (August 1, 2018), and to redeem such Prior Bonds at a redemption price equal to 100% of the principal amount of such Prior Bonds being refunded on the redemption date in accordance with the schedule set forth in the Escrow Agreement. See “ESCROW VERIFICATION” herein. Amounts on deposit with the Escrow Bank pursuant to the Escrow Agreement are not available to pay debt service on the Refunding Bonds.

**Estimated Sources and Uses of Funds**

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

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
General Obligation Refunding Bonds, Series 2016B**

**Estimated Sources and Uses of Funds**

Sources of Funds:

Aggregate Principal Amount of Refunding Bonds	\$
[Plus/Less] [Net] Original Issue [Premium/Discount]	
Total Sources of Funds	<hr/> \$

Uses of Funds:

Escrow Fund	\$
Costs of Issuance <sup>(1)</sup>	
Total Uses of Funds	<hr/> \$

<sup>(1)</sup> Includes legal fees, rating agency fees, financial advisory fees, underwriter's discount, insurance premium, if any, verification agent fees, printing fees and other miscellaneous expenses.

**Debt Service**

Debt service on the Refunding Bonds, assuming no early redemptions, is as set forth in the following table.

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
General Obligation Refunding Bonds, Series 2016B**

Period Ending August 1,	Principal	Interest	Total Debt Service
2017	\$	\$	\$
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
<b>Total:</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

## Outstanding Bonds

In addition to the Refunding Bonds (and not accounting for the planned refunding of the Prior Bonds with proceeds of the Refunding Bonds), the District has outstanding seven additional series of general obligation bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District on a parity with the Refunding Bonds.

The District received authorization at an election held on November 7, 2006 to issue bonds of the District in an aggregate principal amount of not-to-exceed \$60,000,000 to finance construction, reconstruction and/or rehabilitation of its school facilities, including the furnishing and equipping of its school facilities, acquisition, or lease of real property for its school facilities and construction management (the “2006 Authorization”). The District issued five series of bonds under the 2006 Authorization. On May 1, 2007, the County, on behalf of the District, issued the Santee School District General Obligation Bonds, Election of 2006, Series A (San Diego County, California), in the aggregate principal amount of \$18,000,000 (the “Series 2006A Bonds”) as its first series of authorized bonds to be issued under the 2006 Authorization. On September 11, 2008, County, on behalf of the District, issued simultaneously (i) the Series 2006B Bonds in the aggregate initial principal amount of \$12,385,076.75, (ii) the Santee School District (San Diego County, California) General Obligation Bonds, Election of 2006, Series C, in the aggregate initial principal amount of \$2,869,039.35 (the “Series 2006C Bonds”), and (iii) the Santee School District (San Diego County, California) General Obligation Bonds, Election of 2006, Series D, in the aggregate initial principal amount of \$7,840,155.20 (the “Series 2006D Bonds”), as its second, third and fourth, respectively, series of authorized bonds to be issued under the 2006 Authorization. On May 12, 2011, the District issued its 2011 General Obligation Bonds, Election of 2006, Series E (San Diego County, California) in the aggregate initial principal amount of \$3,534,306.75 (the “Series 2006E Bonds”), as its fifth series of authorized bonds to be issued under the 2006 Authorization. The amount of [\$15,371,421.95] remains authorized but unissued under the 2006 Authorization.

On December 30, 2015, the District issued its General Obligation Refunding Bonds, Series 2015, in the aggregate initial principal amount of \$26,715,103.95 (the “Series 2015 Refunding Bonds”) to advance refund a portion of the Series 2006A Bonds and to repurchase a portion of the Series 2006D Bonds. On February 3, 2016, the District issued its General Obligation Refunding Bonds, Series 2016A in the aggregate initial principal amount of \$9,025,021.75 (the “Series 2016A Refunding Bonds”) to repurchase a portion of the Series 2006E Bonds. The Refunding Bonds are being issued by the District to advance refund a portion of the outstanding Series 2006B Bonds. See “– Plan of Refunding” herein.

A summary of the District’s outstanding general obligation bonded debt is set forth on the following page.



## Aggregate Debt Service

The following table sets forth the annual aggregate debt service requirements of all outstanding bonds of the District (including the Refunding Bonds), assuming no early redemptions.

Period Ending August 1,	SANTEE SCHOOL DISTRICT (San Diego County, California) General Obligation Bonds – Aggregate Debt Service							Aggregate Total Debt Service <sup>(2)</sup>	
	Series 2006A Bonds	Series 2006B Bonds <sup>(1)</sup>	Series 2006C Bonds	Series 2006D Bonds	Series 2006E Bonds	Series 2015 Refunding Bonds	Series 2016A Refunding Bonds		Series 2016B Refunding Bonds
2017	\$338,000	\$ 740,543	\$ 185,000	-	-	\$ 1,133,841	\$ 92,460	\$	2,489,843
2018	-	740,543	210,000	-	-	1,624,757	14,245	-	2,589,544
2019	-	740,543	225,000	-	-	1,631,349	85,058	-	2,681,950
2020	-	740,543	240,000	-	-	1,695,167	104,741	-	2,780,451
2021	-	737,943	255,000	-	-	1,760,618	124,465	-	2,878,026
2022	-	739,753	260,000	-	-	1,860,298	121,811	-	2,981,862
2023	-	740,938	270,000	-	-	1,730,696	343,294	-	3,084,927
2024	-	741,531	275,000	-	-	1,809,430	367,166	-	3,193,127
2025	-	741,406	285,000	-	-	1,987,087	295,883	-	3,309,376
2026	-	740,831	290,000	-	-	2,072,853	322,366	-	3,461,051
2027	-	739,500	295,000	-	-	2,163,448	348,533	-	3,621,480
2028	-	737,388	300,000	-	-	2,263,629	371,927	-	3,787,944
2029	-	739,800	295,000	-	-	2,486,601	285,102	-	3,966,503
2030	-	741,500	295,000	-	-	2,696,152	211,561	-	4,154,212
2031	-	736,750	295,000	-	-	2,807,715	239,881	-	4,349,346
2032	-	736,500	2,825,000	-	-	647,257	21,852	-	4,555,609
2033	-	740,500	225,000	\$2,725,000	-	654,284	34,339	-	4,769,122
2034	-	738,500	-	1,282,775	-	2,097,131	419,692	-	4,993,098
2035	-	740,750	-	1,339,968	-	2,496,397	122,480	-	5,229,595
2036	-	737,000	-	1,403,798	-	2,310,811	414,540	-	5,476,150
2037	-	737,500	-	1,465,727	-	2,199,915	637,621	-	5,735,763
2038	-	737,000	-	1,485,000	-	302,227	2,585,261	-	6,004,488
2039	-	740,500	-	1,436,221	-	1,497,689	1,456,282	-	6,290,692
2040	-	737,750	-	1,434,188	-	185,000	2,801,558	-	6,588,496
2041	-	739,000	-	1,435,158	-	3,005,505	3,035,497	-	6,899,663
2042	-	739,000	-	1,435,361	-	423,388	3,061,565	-	5,633,246
2043	-	737,750	-	1,435,000	-	489,639	3,061,565	-	5,723,954
2044	-	740,250	-	1,997,415	-	555,354	2,524,785	-	5,817,803
2045	-	741,250	-	1,994,125	-	628,544	2,524,785	-	5,918,919
2046	-	740,750	-	1,995,765	-	705,000	2,555,000	-	3,441,515
2047	-	738,750	-	1,999,115	-	1,054,307	-	-	3,792,172
2048	-	740,250	-	2,000,000	-	1,165,554	-	-	3,905,804
2049	-	-	-	-	-	2,497,646	-	-	2,497,646
2050	-	-	-	-	-	2,614,550	-	-	2,614,550
2051	-	-	-	-	-	2,745,000	-	-	2,745,000
Total <sup>(3)</sup>	\$338,000	\$23,662,509	\$7,025,000	\$26,864,616	\$21,953,982	\$42,114,352	\$26,004,468	\$	\$147,962,926

<sup>(1)</sup> Does not reflect the planned refunding of the Prior Bonds from proceeds of the Refunding Bonds.

<sup>(2)</sup> Numbers may not add due to rounding.

## SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS

### General

In order to provide sufficient funds for repayment of principal and interest when due on the Refunding Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Refunding Bonds.

### Statutory Lien on Taxes (Senate Bill 222)

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

### Pledge of Tax Revenues

The District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of all bonds, including the Refunding Bonds (collectively, the "Bonds"), of the District heretofore or hereafter issued pursuant to voter approved measures of the District and amounts on deposit in the Interest and Sinking Fund of the District to the payment of the principal or redemption price of and interest on the Bonds. The Bond Resolution provides that the property taxes and amounts held in the Interest and Sinking Fund of the District shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund of the District to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge constitutes an agreement between the District and the owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

### Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

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

### **Assessed Valuation of Property Within the District**

Taxable property located in the District has a 2016-17 assessed value of \$5,882,815,884. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

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

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

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

The following table sets forth the assessed valuation of the various classes of property in the District’s boundaries from fiscal year 2007-08 through 2016-17.

**SANTEE SCHOOL DISTRICT**  
**(San Diego County, California)**  
**Assessed Valuations**  
**Fiscal Years 2007-08 through 2016-17**

Fiscal Year	Local Secured	Utility	Unsecured	Total
2007-08	\$4,772,885,551	\$0	\$200,149,848	\$4,973,035,399
2008-09	4,955,020,388	0	211,869,779	5,166,890,167
2009-10	4,755,224,761	0	206,373,408	4,961,598,169
2010-11	4,738,864,565	0	193,145,473	4,932,010,038
2011-12	4,781,726,558	0	174,798,432	4,956,524,990
2012-13	4,795,501,467	0	172,838,144	4,968,339,611
2013-14	4,933,827,547	0	173,428,626	5,107,256,173
2014-15	5,216,533,401	0	178,109,760	5,394,643,161
2015-16	5,468,418,006	0	172,095,535	5,640,513,541
2016-17	5,707,397,951	0	175,417,933	5,882,815,884

Source: California Municipal Statistics, Inc.

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

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

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property’s then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner’s property by filing a written application, in the form prescribed by the State Board of Equalization,

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

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

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

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

***Bonding Capacity.*** As an elementary school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2016-17 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately \$\_\_\_\_\_ million and its net bonding capacity is approximately \$\_\_\_\_\_ million (taking into account current outstanding debt before issuance of the Refunding Bonds and not accounting for the refunding of the Prior Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

***Assessed Valuation by Jurisdiction.*** The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries that reside in the cities of El Cajon, San Diego and Santee and unincorporated portions of the County for fiscal year 2016-17.

**SANTEE SCHOOL DISTRICT**  
**(San Diego County, California)**  
**2016-17 Assessed Valuation and Parcels by Jurisdiction<sup>(1)</sup>**

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of El Cajon	\$208,693,209	3.55%	\$8,445,621,171	2.47%
City of San Diego	57,251,461	0.97	221,006,039,954	0.03
City of Santee	5,314,915,083	90.35	5,325,555,641	99.80
Unincorporated San Diego County	301,956,131	5.13	66,670,464,583	0.45
Total District	\$5,882,815,884	100.00%		
San Diego County	\$5,882,815,884	100.00%	\$467,262,672,018	1.26%

Source: California Municipal Statistics, Inc.

**Assessed Valuation by Land Use.** The following table sets forth a distribution of taxable property located in the District on the fiscal year 2016-17 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**SANTEE SCHOOL DISTRICT**  
**(San Diego County, California)**  
**2016-17 Assessed Valuation and Parcels by Land Use**

Type of Property	2016-17 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<b>Non-Residential:</b>				
Agricultural/Rural	\$31,413,640	0.55%	98	0.53%
Commercial	559,305,770	9.80	345	1.87
Vacant Commercial	38,952,623	0.68	47	0.25
Industrial	459,382,359	8.05	442	2.39
Vacant Industrial	12,638,145	0.22	43	0.23
Recreational/Golf	2,023,279	0.04	1	0.01
Government/Social/Institutional	128,873	0.00	198	1.07
Subtotal Non-Residential	\$1,103,844,689	19.34%	1,174	6.36%
<b>Residential:</b>				
Single Family Residence	\$3,388,650,008	59.37%	11,957	64.78%
Condominium/Townhouse	831,543,277	14.57	3,944	21.37
Mobile Home	49,617,341	0.87	910	4.93
Mobile Home Park	67,347,222	1.18	16	0.09
2-4 Residential Units	24,403,431	0.43	98	0.53
5+ Residential Units/Apartments	214,015,115	3.75	57	0.31
Miscellaneous Residential	2,254,628	0.04	69	0.37
Vacant Residential	25,722,240	0.45	233	1.26
Subtotal Residential	\$4,603,553,262	80.66%	17,284	93.64%
Total	\$5,707,397,951	100.00%	18,458	100.00%

<sup>(1)</sup> Local secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

*Assessed Valuation of Single-Family Homes.* The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2016-17.

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
2016-17 Per Parcel Assessed Valuation of Single Family Homes**

	Number of Parcels	Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	11,957	\$3,388,650,008	\$283,403	\$272,689

  

2016-17 Assessed Valuation	No. of Parcels <sup>(1)</sup>	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	22	0.184%	0.184%	\$447,140	0.013%	0.013%
\$25,000 - \$49,999	628	5.252	5.436	26,389,140	0.779	0.792
\$50,000 - \$74,999	543	4.541	9.977	33,839,517	0.999	1.791
\$75,000 - \$99,999	393	3.287	13.264	33,745,055	0.996	2.786
\$100,000 - \$124,999	307	2.568	15.832	34,845,682	1.028	3.815
\$125,000 - \$149,999	531	4.441	20.273	73,535,000	2.170	5.985
\$150,000 - \$174,999	572	4.784	25.056	92,962,207	2.743	8.728
\$175,000 - \$199,999	762	6.373	31.429	143,607,703	4.238	12.966
\$200,000 - \$224,999	862	7.209	38.638	183,162,972	5.405	18.371
\$225,000 - \$249,999	800	6.691	45.329	189,758,317	5.600	23.971
\$250,000 - \$274,999	596	4.985	50.314	156,124,919	4.607	28.578
\$275,000 - \$299,999	556	4.650	54.964	159,588,413	4.709	33.288
\$300,000 - \$324,999	575	4.809	59.773	179,775,735	5.305	38.593
\$325,000 - \$349,999	571	4.775	64.548	192,778,332	5.689	44.282
\$350,000 - \$374,999	691	5.779	70.327	250,633,122	7.396	51.678
\$375,000 - \$399,999	698	5.838	76.165	270,053,620	7.969	59.648
\$400,000 - \$424,999	895	7.485	83.650	367,498,157	10.845	70.493
\$425,000 - \$449,999	630	5.269	88.919	274,074,022	8.088	78.581
\$450,000 - \$474,999	370	3.094	92.013	170,173,146	5.022	83.602
\$475,000 - \$499,999	190	1.589	93.602	92,246,619	2.722	86.325
\$500,000 and greater	765	6.398	100.000	463,411,190	13.675	100.000
Total	11,957	100.000%		\$3,388,650,008	100.000%	

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

**Largest Taxpayers in District.** The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2016-17 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
Largest 2016-17 Local Secured Taxpayers<sup>(1)</sup>**

	Property Owner	Primary Land Use	2016-17 Assessed Valuation	Percent of Total <sup>(1)</sup>
1.	Vestar Kimco Santee LP	Shopping Center	\$48,276,075	0.85%
2.	Santee Partners LP	Apartments	29,426,449	0.52
3.	Wal-Mart Stores East LP	Commercial	29,006,793	0.51
4.	HCA Arbors Apartments LP	Apartments	28,747,392	0.50
5.	Sycamore Landfill Inc.	Landfill	26,718,045	0.47
6.	MHC Meadowbrook LP	Mobile Home Park	21,490,097	0.38
7.	Santee Retail LP	Commercial	21,366,537	0.37
8.	American Realty Capital Properties Inc.	Commercial	18,846,730	0.33
9.	Target Corp.	Commercial	16,702,932	0.29
10.	Sunridge Apartments LP	Apartments	16,560,171	0.29
11.	Petsmart Inc.	Shopping Center	16,497,107	0.29
12.	Pacific Castle Santee LP	Commercial	15,440,000	0.27
13.	Vons Companies Inc. Alcott Estates	Commercial	15,228,750	0.27
14.	HCA Sunset Trails LP	Apartments	14,886,670	0.26
15.	Santee Senior Retirement Communities	Assisted Living	14,596,150	0.26
16.	Lowe's HIW Inc.	Commercial	14,318,825	0.25
17.	Alcott Estates	Commercial	14,071,934	0.25
18.	Costco Wholesale Corporation	Commercial	13,618,799	0.24
19.	Gillespie GH LLC	Commercial	13,500,000	0.24
20.	Kohls Department Stores Inc.	Commercial	13,104,807	0.23
			\$402,404,263	7.05%

<sup>(1)</sup> 2016-17 local secured assessed valuation: \$5,707,397,951  
Source: California Municipal Statistics, Inc.

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

**Tax Rates**

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

The rate of tax necessary to pay fixed debt service on the Refunding Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Refunding Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property



owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Refunding Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

**Typical Tax Rate Area.** The following table sets forth *ad valorem* property tax rates for the last five fiscal years in typical Tax Rate Areas of the District: TRA 16-007 and TRA 86-013. TRA 16-007 comprises approximately 18.91% of the total fiscal year 2016-17 assessed value of the District. TRA 86-013 comprises approximately 1.03% of the total fiscal year 2016-17 assessed value of the District.

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
Typical Total Tax Rates per \$100 of Assessed Valuation  
Fiscal Years 2011-12 Through 2016-17**

Within the City of Santee: TRA 16-007

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Santee School District	.03308	.03390	.03405	.03321	.03277	.03964
Grossmont Union High School District	.06121	.06103	.06167	.06118	.06053	.05717
Grossmont-Cuyamaca Community College	.03082	.03173	.04752	.04650	.04539	.04005
Grossmont Healthcare District	.02005	.02005	.02005	.02005	.02352	.02352
Metropolitan Water District	.00370	.00350	.00350	.00350	.00350	.00350
<b>Total</b>	<b>\$1.14886</b>	<b>\$1.15021</b>	<b>\$1.16679</b>	<b>\$1.16444</b>	<b>\$1.16571</b>	<b>\$1.16388</b>

Within Unincorporated San Diego County: TRA 86-013

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Santee School District	.03308	.03390	.03405	.03321	.03277	.03964
Grossmont Union High School District	.06121	.06103	.06167	.06118	.06053	.05717
Grossmont-Cuyamaca Community College	.03082	.03173	.04752	.04650	.04539	.04005
Grossmont Healthcare District	.02005	.02005	.02005	.02005	.02352	.02352
Metropolitan Water District	.00370	.00350	.00350	.00350	.00350	.00350
<b>Total</b>	<b>\$1.14886</b>	<b>\$1.15021</b>	<b>\$1.16679</b>	<b>\$1.16444</b>	<b>\$1.16571</b>	<b>\$1.16388</b>

Source: California Municipal Statistics, Inc.

**Tax Charges and Delinquencies**

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

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes

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

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The following table sets forth real property tax charges with respect to property located in the District for fiscal years 2010-11 through 2015-16. The County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest, and the County does not provide a breakdown of the delinquencies with respect to property located in the District. See “–Teeter Plan” below.

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
Secured Tax Charges and Delinquencies  
Fiscal Years 2010-11 through 2015-16**

Fiscal Year	Secured Tax Charge <sup>(1)</sup>	Amount Delinquent June 30	Percent Delinquent June 30
2010-11	\$10,403,821	-	(2)
2011-12	10,358,794	-	(2)
2012-13	10,458,156	-	(2)
2013-14	10,103,733	-	(2)
2014-15	10,692,259	-	(2)
2015-16	11,222,664	-	(2)

<sup>(1)</sup> General Fund apportionment.  
<sup>(2)</sup> The County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.  
Source: California Municipal Statistics, Inc.

## **Teeter Plan**

The County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the “Teeter Plan.” The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. The County Board of Supervisors adopted the Teeter Plan on June 29, 1993. The County’s Teeter Plan applies to the District and to its outstanding general obligation bonds.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The County has never discontinued the Teeter Plan with respect to any levying agency.

## **Direct and Overlapping Debt**

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective October 6, 2016 for debt issued as of October 1, 2016. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount set forth in column three,

which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

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

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
Statement of Direct and Overlapping Bonded Debt**

2016-17 Assessed Valuation: \$5,882,815,884

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/16</u>
Metropolitan Water District	0.226%	\$209,700
Grossmont-Cuyamaca Community College District	12.998	30,084,568
Grossmont Union High School District	13.327	64,539,778
Santee School District	100.	54,535,125 <sup>(1)</sup>
Grossmont Healthcare District	12.227	<u>32,268,683</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$181,637,854

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	1.259%	\$3,810,426
San Diego County Pension Obligation Bonds	1.259	7,623,497
San Diego County Superintendent of Schools	1.259	165,370
Grossmont-Cuyamaca Community College District General Fund Obligations	12.998	124,781
Grossmont Union High School District Certificates of Participation	13.327	45,312
Santee School District Certificates of Participation	100.	30,604,849
City of San Diego General Fund Obligations	0.026	153,702
City of Santee General Fund Obligations	99.800	553,890
Lakeside Fire District Certificates of Participation	0.010	<u>568</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$43,082,395

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$53,136,779

COMBINED TOTAL DEBT \$277,857,028<sup>(2)</sup>

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$54,535,125).....	0.93%
Total Direct and Overlapping Tax and Assessment Debt .....	3.09%
Combined Direct Debt (\$85,139,974).....	1.45%
Combined Total Debt.....	4.72%

Ratios to Redevelopment Incremental Valuation (\$1,229,501,526):

Overlapping Tax Increment Debt .....	4.32%
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<sup>(1)</sup> Excludes the Refunding Bonds; includes Prior Bonds.  
<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.  
 Source: California Municipal Statistics, Inc.

## TAX MATTERS

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

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

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

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

or any other matters coming to Bond Counsel's attention after the date of issuance of the Refunding Bonds may adversely affect the value of, or the tax status of interest on, the Refunding Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

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

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

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

## **OTHER LEGAL MATTERS**

### **Legal Opinion**

The validity of the Refunding Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to

deliver an opinion with respect to the Refunding Bonds at the time of issuance of such series substantially in the forms set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by \_\_\_\_\_.

### **Legality for Investment in California**

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

### **Continuing Disclosure**

The District has covenanted for the benefit of the holders and Beneficial Owners of the Refunding Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the “EMMA System”) certain annual financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2015-16 fiscal year (which is due no later than March 31, 2017) and notice of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of the District’s general obligation bonds and certificates of participation. The District is not aware of any instances of noncompliance with continuing disclosure requirements pursuant to the Rule in the previous five years.

In order to ensure the timely compliance with its continuing disclosure obligation, the District has engaged Dale Scott & Company, Inc. to act as dissemination agent in connection with its prior undertakings as well as the undertaking relating to the Refunding Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District’s duties regarding continuing disclosure.

### **Litigation**

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

The District is occasionally 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.

## ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of projected receipts of principal and interest on the government obligations, and the projected payments of principal, redemption premium, if any, and interest to retire the Prior Bonds to be refunded will be verified by Causey Demgen & Moore, P.C., Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

## MISCELLANEOUS

### Ratings

S&P has assigned its rating of "\_\_\_" to the Refunding Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Refunding Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Refunding Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Refunding Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

### Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Refunding Bonds, and will receive compensation contingent upon the sale and delivery of the Refunding Bonds. Dale Scott & Company is acting as the District's Financial Advisor with respect to the Refunding Bonds. \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, is acting as Underwriter's Counsel with respect to the Refunding Bonds. Payment of the fees and expenses of the Financial Advisor and Underwriter's Counsel is also contingent upon the sale and delivery of the Refunding Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Refunding Bonds.

### Underwriting

The Refunding Bonds are being purchased for reoffering to the public by \_\_\_\_\_ (the "Underwriter"), pursuant to the terms of a bond purchase agreement executed on \_\_\_\_\_, 2016, by and between the Underwriter and the District (the "Purchase Agreement"). The Underwriter has agreed to purchase the Refunding Bonds at a price of \$\_\_\_\_\_ (representing the principal amount of the Refunding Bonds, [plus][less] [net] original issue [premium][discount] of \$\_\_\_\_\_, less an Underwriter's discount of \$\_\_\_\_\_). The Purchase Agreement provides that the Underwriter will purchase all of the Refunding Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.



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

**ADDITIONAL INFORMATION**

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

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

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

**SANTEE SCHOOL DISTRICT**

By: \_\_\_\_\_  
Superintendent

## APPENDIX A

### INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

*The information in this appendix concerning the operations of the Santee School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Refunding Bonds is payable from the general fund of the District or from State revenues. The Refunding Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of San Diego on property within the District in an amount sufficient for the timely payment of principal of and interest on the Refunding Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS" in the front portion of this Official Statement.*

### THE DISTRICT

#### Introduction

The District, established in 1893, encompasses approximately 16.56 square miles in the eastern portion of the County of San Diego (the "County"). The District is located in the City of Santee, and it serves portions of the Cities of Santee, El Cajon, and San Diego, and an unincorporated area of San Diego County. The District provides public education services for grades pre-kindergarten through eight. The District operates one elementary school serving grades kindergarten through six, eight elementary schools serving grades kindergarten through eight, an alternative home school program and three preschool programs. Enrollment in the District for fiscal year 2016-17 is estimated to be 6,765 students. The District operates under the jurisdiction of the San Diego County Superintendent of Schools.

#### Board of Education

The District is governed by a five-member Board of Education (the "District Board"), each member of which is elected by voters within the District to serve alternating four-year terms. The District Board consists of five voting members. The voting members are elected to four-year terms in alternate slates of two and three and elections are held every two years. Each December the District Board elects a President and Clerk to serve one year terms. Current voting members of the District Board, together with their office and the date their term expires, are listed below.

#### SANTEE SCHOOL DISTRICT (San Diego County, California)

#### Board of Education

Name	Office	Term Expires
Barbara Ryan	President	December 2018
Elana Levens-Craig	Vice President	December 2016
Dianne El-Hajj	Clerk	December 2016
Dustin Burns	Member	December 2018
Ken Fox	Member	December 2018

## Superintendent and Financial and Fiscal Administrative Personnel

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

*Cathy A. Pierce, Ed.D., Superintendent.* Dr. Pierce became Superintendent of the District on November 1, 2012. Before joining the District, Dr. Pierce served as the Assistant Superintendent of Educational Services in Ramona Unified School District in the County. Previous positions include Director of Assessment and Categorical Programs, Secondary Mathematics Coordinate for the San Diego County Office of Education, the site administrator for the San Diego City Schools and middle school and high school mathematics and science teacher. Dr. Pierce has a doctorate in Educational Leadership and Management from Alliant International University and her dissertation research was used throughout the State to help improve student performance on the mathematics portion of the California High School Exit Examination.

*Karl Christensen, MBA, Assistant Superintendent, Business Services.* Mr. Christensen joined the District in June 2009. Prior to that, Mr. Christensen served as the Internal Auditor for La Mesa-Spring Valley School District ("LSVSD") in the County for six years, as Director, Information Systems for LSVSD for eight years, and as Chief Business Officer for San Ysidro District for five years. Mr. Christensen earned his bachelor's degree in Financial Accounting and his master's degree in Business Administration from National University.

## DISTRICT FINANCIAL MATTERS

### State Funding of Education; State Budget Process

*General.* As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (see "- Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "- Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has budgeted to receive approximately 68.38% of its general fund revenues from State funds (not including the local \$13.25 million] in fiscal year 2016-17). Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "- Allocation of State Funding to School Districts; Local Control Funding Formula - Attendance and LCFF" and "- Other District Revenues - Other State Revenues" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

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

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

**State Budget Process.** According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State’s voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also applies to trailer bills that appropriate funds and are identified by the State Legislature “as related to the budget in the budget bill.” The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2016-17 State budget on June 27, 2016.

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

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

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as “settle-up.” If the amount appropriated is higher than the guaranteed amount in any year, that higher funding

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

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

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

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

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

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

**2016-17 State Budget.** The Governor signed the fiscal year 2016-17 State budget (the “2016-17 State Budget”) on June 27, 2016. The 2016-17 State Budget sets forth a balanced budget for Fiscal Year 2016-17 and allocates funds from Proposition 2 to pay down outstanding budgetary borrowing and retirement liabilities of the State and University of California. The 2016-17 State Budget estimates that total resources available in fiscal year 2015-16 totaled approximately \$120.45 billion (including a prior year balance of \$3.4 billion) and total expenditures in fiscal year 2015-16 totaled approximately \$115.57 billion. The 2016-17 State Budget projects total resources available for fiscal year 2016-17 of \$125.18 billion, inclusive of revenues and transfers of \$120.31 billion and a prior year balance of \$4.87 billion. The 2016-17 State Budget projects total expenditures of \$122.47 billion, inclusive of non-Proposition 98 expenditures of \$71.42 billion and Proposition 98 expenditures of \$51.05 billion. The 2016-17 State Budget proposes to allocate \$966 million of the General Fund’s projected fund balance to the Reserve for Liquidation of Encumbrances and \$1.75 billion of such fund balance to the State’s Special Fund for Economic Uncertainties. In addition, the 2016-17 State Budget estimates the Rainy Day Fund will have a fund balance of \$6.71 billion.

Certain budgeted adjustments for K-12 education set forth in the 2016-17 State Budget include the following:

- **School District Local Control Funding Formula.** The 2016-17 State Budget includes an increase of more than \$2.9 billion to continue the implementation of the Local Control Funding Formula. The 2016-17 State Budget proposes to commit most new funding to Supplemental Grants and Concentration Grants. The Governor estimates that the budgeted increase will bring the total Local Control Funding Formula implementation to 96%.
- **Proposition 98 Minimum Guarantee.** The 2016-17 State Budget includes Proposition 98 funding of \$71.9 billion, inclusive of State and local funds, for fiscal year 2016-17. Such amount is expected to satisfy the Proposition 98 minimum guarantee for fiscal year 2016-17.
- **Mandate Claims.** The 2016-17 State Budget proposes to allocate approximately \$1.3 billion in one-time moneys to reduce outstanding mandate claims by K-12 local education agencies. The State expects such funds to be used for activities including, among others, deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology and the implementation of new educational standards.
- **College Readiness Block Grant.** The 2016-17 State Budget includes a one-time increase of \$200 million to the Proposition 98 General Fund for grants to school districts and charter schools that serve high school students. The State will direct grant recipients to such funds be used to support access to higher education and transition to higher education.
- **Integrated Teacher Preparation Grant Program.** The 2016-17 State Budget includes a one-time allocation of \$10 million from the Proposition 98 portion of the General Fund to the Integrated Teacher Preparation Grant Program, which provides competitive grants to colleges and universities to develop or improve teacher credential programs.

- Classified School Employees Credentialing Program. The 2016-17 State Budget includes a one-time allocation of \$20 million from the Proposition 98 portion of the General Fund to establish a credentialing program that recruits non-certified school employees and prepares them to become certificated classroom teachers.
- California Center on Teacher Careers. The 2016-17 State Budget includes a one-time increase of \$5 million of Proposition 98 General Fund to establish a multi-year competitive grant, which will be awarded to a local education agency to establish and operate the California Center on Teaching Careers. The California Center on Teaching Careers, once established, will recruit individuals to the teaching profession, host a referral database for teachers seeking employment, develop and distribute recruitment publications, conduct outreach activities to high school and college students, provide statewide public service announcements related to teacher recruitment, and provide prospective teachers information on credential requirements, financial aid and loan assistance programs.
- California Collaborative for Educational Excellence. The 2016-17 State Budget provides a one-time increase of \$24 million to the Proposition 98 portion of the General Fund for the California Collaborative for Educational Excellence to, among other things, support statewide professional development training relating to evaluation methods and metrics and implement a pilot program related to advising and assisting local education agencies on improving pupil outcomes.
- Safe Drinking Water in Schools. The 2016-17 State Budget includes an increase of \$9.5 million of one-time Proposition 98 General Fund to create a grant program to improve access to safe drinking water for schools located in isolated areas and economically disadvantaged areas. The program will be developed and administered by the State Water Resources Control Board in consultation with the California Department of Education.
- Charter School Startup Grants. The 2016-17 State Budget allocates an increase of \$20 million of one-time Proposition 98 General Fund resources to support operational startup costs for new charter schools in 2016 and 2017. Such allocation is expected to partially offset the loss of federal funding previously available for such purpose.
- Multi-Tiered Systems of Support. The 2016-17 State Budget allocates an increase of \$20 million of one-time Proposition 98 General Fund resources to build upon the \$10 million investment included in the 2015-16 State Budget for an increased number of local educational agencies to provide academic and behavioral supports in a coordinated and systematic way. The State expects such funds to, among other things, assist local education agencies as they provide services that support academic, behavioral, social and emotional needs and improve outcomes for students.
- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The 2016-17 State Budget includes an increase of \$18 million on a one-time basis to the Proposition 98 portion of the General Fund allocated to a grant program for truancy and dropout prevention.

The complete 2016-17 State Budget is available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). The District can take no responsibility for the continued accuracy of this internet

address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

***Changes in State Budget.*** The District cannot predict the impact that the 2016-17 State Budget, or subsequent budgets, will have on its finances and operations. The 2016-17 State Budget may be affected by national and State economic conditions and other factors which the District cannot predict.

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

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

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

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



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

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

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

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

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

- Any remaining balance to school entities and local taxing agencies.

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

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

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

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

- A Base Grant for each local education agency (a “LEA”). The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2016-17, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$7,820 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,189 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,403 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$8,801 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.
- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional Concentration Grant of up to 50% of a LEA’s Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.
- An Economic Recovery Target (the “ERT”) that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, LEAs would receive the greater of the Base Grant or the ERT.

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

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

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

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the “Collaborative”), a newly established body of educational specialists, was created to advise and assist local education

agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

**Attendance and LCFF.** The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2016-17. The A.D.A. and enrollment numbers reflected in the following table include special education.

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
Average Daily Attendance, Enrollment and Targeted Base Grant  
Fiscal Years 2013-14 through 2016-17**

Fiscal Year		A.D.A./Base Grant				Enrollment <sup>(7)</sup>	
		K-3	4-6	7-8	Total A.D.A.	Total Enrollment	Unduplicated Percentage of EL/LI Students
2013-14	A.D.A. <sup>(2)</sup> :				6,237	6,394	43.53%
	Targeted Base Grant <sup>(3)</sup> :	\$6,952	\$7,056	\$7,266	--	--	--
2014-15	A.D.A. <sup>(2)</sup> :				6,278	6,472	40.99%
	Targeted Base Grant <sup>(3)(4)</sup> :	\$7,011	\$7,116	\$7,328	--	--	--
2015-16 <sup>(1)</sup>	A.D.A. <sup>(2)</sup> :				6,457	6,695	42.91%
	Targeted Base Grant <sup>(3)(5)</sup> :	\$7,083	\$7,189	\$7,403	--	--	--
2016-17 <sup>(1)</sup>	A.D.A. <sup>(2)</sup> :				6,457	6,765	41.99%
	Targeted Base Grant <sup>(3)(6)</sup> :	\$7,083	\$7,189	\$7,403	--	--	--

<sup>(1)</sup> Figures are projections.

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

<sup>(3)</sup> Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts are not expected to be fully funded in fiscal years 2013-14, 2014-15 and 2015-16.

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

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

<sup>(6)</sup> Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.

<sup>(7)</sup> Reflects enrollment as of October report submitted to the California Department of Education through California Basic Educational Data System ("CBEDS") for the 2013-14 and 2014-15 school years and California Longitudinal Pupil Achievement Data System ("CALPADS") for the 2015-16 school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment will be based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students will be based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: Santee School District.

The District received approximately \$48.67 million (unaudited) in aggregate revenues reported under LCFF sources in fiscal year 2015-16, and has budgeted to receive approximately \$51.22 million in

aggregate revenues under the LCFF in fiscal year 2016-17 (or approximately 84.56% of its general fund revenues in fiscal year 2016-17).

### **Local Sources of Education Funding**

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

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

Local property tax revenues account for approximately \$13.25 million or approximately 25.88% of the District's aggregate LCFF revenue sources and approximately 21.88% of total general fund revenues in fiscal year 2016-17.

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

***Effect of Changes in Enrollment.*** Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently. The District is an LCFF district.

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

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

## Other District Revenues

**Federal Revenues.** The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 3.61% (or approximately \$2.19 million) of the District's general fund budgeted revenues for fiscal year 2016-17.

**Other State Revenues.** In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues which comprise approximately 5.70% (or approximately \$3.45 million) of the District's general fund budgeted revenues for fiscal year 2016-17. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is budgeted at approximately \$1.22 million for fiscal year 2016-17.

**Other Local Revenues.** In addition to *ad valorem* property taxes, the District receives additional local revenues which comprise approximately 6.13% (or approximately \$3.71 million) of the District's general fund budgeted revenues for fiscal year 2016-17.

## Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2015, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, Rancho Cucamonga, California, for fiscal years 2011-12 through 2014-15.

Vavrinek, Trine, Day & Co., LLP has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has not audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2010-11 through 2014-15.

**SANTEE SCHOOL DISTRICT**  
**(San Diego County, California)**  
**Statement of General Fund Revenues, Expenditures and Changes in Fund Balance**  
**Fiscal Years 2010-11 through 2014-15**

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
<b>REVENUES</b>					
Revenue Limit/LCFF Sources	\$31,480,703	\$31,667,645	\$31,927,237	\$38,776,160	\$42,420,345
Federal sources	4,518,802	2,859,538	2,749,039	2,304,997	2,488,273
Other State sources	7,052,046	7,823,589	8,040,868	4,302,120	2,397,052
Other local sources	4,793,366	4,768,731	4,282,493	4,279,533	4,988,514
<b>Total Revenues</b>	<b>47,844,917</b>	<b>47,119,503</b>	<b>46,999,637</b>	<b>49,662,810</b>	<b>52,294,184</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Instruction	29,237,022	32,912,743	31,394,514	32,457,679	36,271,988
Instruction-related Services:					
Supervision of instruction	604,502	596,036	535,860	765,384	837,700
Instructional library, media and technology	733,128	747,545	754,791	819,087	1,043,391
School site administration	2,639,169	2,688,929	2,686,267	2,726,108	2,859,402
Pupil services:					
Home-to-school transportation	940,918	941,817	831,575	867,346	1,076,038
Food services	-	-	-	-	-
All other pupil services	1,856,695	2,027,187	2,048,731	1,940,275	2,027,409
Administration:					
Data processing	261,781	287,231	290,018	427,999	722,318
All other administration	3,743,006	3,033,374	2,314,788	2,338,366	2,651,242
Plant services	3,707,020	3,830,179	4,053,075	3,902,684	4,333,237
Facility acquisition and construction	12,853	3,031	-	131,644	239,892
Community services	280,834	262,341	254,571	239,228	257,950
Debt service					
Principal	-	-	-	-	-
Interest and other	82,597	40,589	2,810	-	-
<b>Total Expenditures</b>	<b>44,099,525</b>	<b>47,371,002</b>	<b>45,167,000</b>	<b>46,615,800</b>	<b>52,320,959</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>3,745,392</b>	<b>(251,499)</b>	<b>1,832,637</b>	<b>3,047,010</b>	<b>(26,775)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	2,400	-	111,883	33,561
Transfers out	(452,405)	(802,510)	(679,339)	(1,575,395)	1,151,348
<b>Net Financing Sources (Uses)</b>	<b>(452,405)</b>	<b>(800,110)</b>	<b>(679,339)</b>	<b>(1,463,512)</b>	<b>(1,117,787)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,292,987</b>	<b>(1,051,609)</b>	<b>1,135,298</b>	<b>1,583,498</b>	<b>(1,144,562)</b>
<b>Fund Balances, Beginning</b>	<b>6,919,059</b>	<b>13,036,877</b>	<b>11,985,268</b>	<b>13,095,434<sup>(2)</sup></b>	<b>14,678,932</b>
<b>Restatement</b>	<b>2,824,831</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances, Beginning (As Restated)</b>	<b>9,743,890<sup>(1)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$13,036,877</b>	<b>\$11,985,268</b>	<b>\$13,120,566<sup>(2)</sup></b>	<b>\$14,678,932</b>	<b>\$13,534,370</b>

<sup>(1)</sup> The fund balance was restated to conform with GASB 45's definition of Governmental funds. This restatement added the beginning fund balance of Fund 17: Special Reserve for Other than Capital Outlay to the General Fund. The restatement did not change the total fund balance amounts reported in the District's audited financial statements. See audit report for fiscal year 2011-12.

<sup>(2)</sup> The ending fund balance for fiscal year 2012-13 differs from the beginning fund balance for fiscal year 2013-14 because the District's 2012-13 Audited Financial Report included "Fund 14 - Deferred Maintenance" with an ending balance of \$25,132 in the General Fund. In the District's fiscal year 2013-14 Audited Financial Report, "Fund 14 - Deferred Maintenance" was shifted from the General Fund to Non-Major Governmental Funds resulting in the decrease of \$25,132 in the 2013-14 beginning fund balance.

Source: Santee School District Audited Financial Reports for fiscal years 2010-11 through 2014-15.

The following table sets forth the general fund balance sheet of the District for fiscal years 2010-11 through 2014-15.

**SANTEE SCHOOL DISTRICT**  
**(San Diego County, California)**  
**Summary of General Fund Balance Sheet**  
**Fiscal Years 2010-11 through 2014-15**

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
<b>ASSETS</b>					
Deposits and investments	\$4,054,765	\$3,101,360	\$6,732,987	\$8,869,870	\$11,297,166
Receivables	9,540,414	11,553,253	6,566,227	5,541,719	2,488,630
Due from other funds	347,013	556,002	353,782	444,918	297,192
Prepaid expenditures	375,869	375,665	375,869	375,869	375,869
Stores inventories	29,615	50,327	28,440	53,344	46,850
<b>Total Assets</b>	<b>\$14,347,676</b>	<b>\$15,636,607</b>	<b>\$14,057,305</b>	<b>\$15,285,720</b>	<b>\$14,505,707</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$1,108,184	\$615,863	\$666,211	\$505,618	\$463,771
Due to other funds	50,894	175,248	184,611	-	131,358
Deferred/Unearned Revenue	151,721	96,652	85,917	101,170	267,256
Current loans	-	2,763,576	-	-	108,952
<b>Total Liabilities</b>	<b>1,310,799</b>	<b>3,651,339</b>	<b>936,739</b>	<b>606,788</b>	<b>971,337</b>
<b>Fund Balances:</b>					
Nonspendable	420,484	440,992	419,309	444,213	437,719
Restricted	-	274,581	383,099	1,350,410	684,398
Committed	-	200,000	-	-	-
Assigned	673,746	3,416,798	3,375,713	3,548,085	3,959,407
Unassigned	11,942,647	7,652,897	8,942,445	9,336,224	8,452,846
<b>Total Fund Balances</b>	<b>13,036,877</b>	<b>11,985,268</b>	<b>13,120,566</b>	<b>14,678,932</b>	<b>13,534,370</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$14,347,676</b>	<b>\$15,636,607</b>	<b>\$14,057,305</b>	<b>\$15,285,720</b>	<b>\$14,505,707</b>

Source: Santee School District Audited Financial Reports for fiscal years 2010-11 through 2014-15.



## District Budget Process and County Review

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

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

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than August 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the county superintendent no later than September 8. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the county superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the county superintendent determines that a district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the county superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

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

In the last five years, the District has not had a budget disapproved and has not received a qualified or negative certification.

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

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

The following table sets forth the District’s adopted general fund budgets for fiscal years 2013-14 through 2016-17, unaudited actuals for fiscal years 2013-14 and 2014-15, and estimated actuals for fiscal year 2015-16. The general fund budget for fiscal year 2016-17 was adopted by the Board of Education on June 21, 2016.

**SANTEE SCHOOL DISTRICT**  
**(San Diego County, California)**  
**General Fund Budgets for Fiscal Years 2013-14 through 2016-17 and**  
**Unaudited Actuals for Fiscal Years 2013-14 through 2015-16**

	2013-14 Original Adopted Budget	2013-14 Unaudited Actuals	2014-15 Original Adopted Budget	2014-15 Unaudited Actuals	2015-16 Original Adopted Budget	2015-16 Unaudited Actuals	2016-17 Original Adopted Budget <sup>(1)</sup>
<b>REVENUES</b>							
Revenue Limit / LCFF Sources <sup>(2)</sup>	\$33,110,001.00	\$38,776,161.47	\$42,352,410.00	\$42,420,345.87	\$47,393,864.00	\$48,673,656.02	\$51,222,046.00
Federal Revenue	2,127,780.00	2,305,113.63	2,173,934.00	2,586,569.49	2,339,607.00	2,561,555.88	2,185,644.00
Other State Revenue	6,813,066.00	2,966,080.77	1,609,348.00	2,397,052.21	5,009,827.00	5,723,974.85	3,450,123.00
Other Local Revenue	3,636,204.00	4,269,525.94	3,455,542.00	4,878,031.51	3,671,187.00	5,061,290.92	3,714,137.00
<b>TOTAL REVENUES</b>	<b>45,687,051.00</b>	<b>48,316,881.81<sup>(3)</sup></b>	<b>49,591,234.00</b>	<b>52,281,999.08<sup>(3)</sup></b>	<b>58,414,485.00</b>	<b>62,020,477.67</b>	<b>60,571,950.00</b>
<b>EXPENDITURES</b>							
Certificated Salaries	24,133,233.00	24,875,635.67	26,962,396.00	26,783,724.87	27,367,362.00	28,367,940.56	30,400,593.00
Classified Salaries	6,957,479.00	6,954,738.16	7,615,644.00	7,604,234.42	7,903,285.00	8,023,086.96	8,960,421.00
Employee Benefits	7,599,798.00	7,526,877.02	8,303,016.00	8,130,247.20	8,657,756.00	9,577,330.76	10,757,555.00
Books and Supplies	1,721,284.00	2,111,559.32	3,880,154.00	5,219,673.31	4,127,693.00	4,526,989.49	5,116,142.00
Services and Other Operating Expenses	3,627,552.00	3,709,858.18	3,734,665.00	4,155,015.37	4,191,607.00	4,697,901.57	4,242,903.00
Capital Outlay	140,655.00	223,975.84	649,419.00	527,363.70	806,927.00	479,047.13	955,847.00
Other Outgo (excluding Transfers of Indirect Costs)	967,251.00	902,847.81	1,037,681.00	1,021,790.38	1,051,267.00	601,575.12	969,205.00
Other Outgo - Transfers of Indirect Costs	(114,699.00)	(122,883.49)	(103,639.00)	(99,301.69)	(107,028.00)	(107,468.36)	(137,580.00)
<b>TOTAL EXPENDITURES</b>	<b>45,032,553.00</b>	<b>46,182,608.51<sup>(3)</sup></b>	<b>52,079,336.00</b>	<b>53,342,747.56<sup>(3)</sup></b>	<b>53,998,889.00</b>	<b>56,166,403.23</b>	<b>61,265,086.00</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>654,498.00</b>	<b>2,134,273.30</b>	<b>(2,488,102.00)</b>	<b>(1,060,748.48)</b>	<b>4,415,616.00</b>	<b>5,854,274.44</b>	<b>(693,136.00)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Inter-fund Transfers In	56,655.00	111,883.45	38,914.00	33,561.49	20,170.00	29,142.68	20,170.00
Inter-fund Transfers Out	(654,486.00)	(672,547.00)	(1,249,265.00)	(719,557.71)	(849,236.00)	(2,311,236.00)	1,111,405.00
Other Sources (Uses)	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-
<b>TOTAL, OTHER FINANCING SOURCES (USES)</b>	<b>(597,831.00)</b>	<b>(560,663.55)</b>	<b>(1,210,351.00)</b>	<b>(685,996.22)</b>	<b>(829,066.00)</b>	<b>(2,282,093.32)</b>	<b>(1,091,235.00)</b>
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>56,667.00</b>	<b>1,573,609.75</b>	<b>(3,698,453.00)</b>	<b>(1,746,744.70)</b>	<b>3,586,550.00</b>	<b>3,572,181.12</b>	<b>(1,784,371.00)</b>
<b>BEGINNING BALANCE,</b>							
<b>as of July 1 – Unaudited</b>	<b>9,154,725.32</b>	<b>10,233,354.51</b>	<b>10,208,084.51</b>	<b>11,806,964.26</b>	<b>7,224,709.26</b>	<b>10,060,219.56</b>	<b>11,267,592.56</b>
<b>Audit Adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As of July 1 – Audited</b>	<b>9,154,725.32</b>	<b>10,233,354.51</b>	<b>10,208,084.51</b>	<b>11,806,964.26</b>	<b>7,224,709.26</b>	<b>10,060,219.56</b>	<b>11,267,592.56</b>
<b>Other Restatements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjusted Beginning Balance</b>	<b>9,154,725.32</b>	<b>10,233,354.51</b>	<b>10,208,084.51</b>	<b>11,806,964.26</b>	<b>7,224,709.26</b>	<b>10,060,219.56</b>	<b>11,267,592.56</b>
<b>ENDING BALANCE</b>	<b>\$9,211,392.32</b>	<b>\$11,806,964.26<sup>(3)</sup></b>	<b>\$6,509,631.51</b>	<b>\$10,060,219.56<sup>(3)</sup></b>	<b>\$10,811,259.26</b>	<b>\$13,632,400.68</b>	<b>\$9,483,221.58</b>
<b>Unrestricted Ending Balance</b>	<b>\$9,001,967.98</b>	<b>\$10,456,554.12</b>	<b>\$6,296,561.33</b>	<b>\$9,375,821.77</b>	<b>\$10,650,161.12</b>	<b>\$12,665,954.66</b>	<b>\$9,257,301.77</b>
<b>Restricted Ending Balance</b>	<b>\$209,424.34</b>	<b>\$1,350,410.14</b>	<b>\$213,070.18</b>	<b>\$684,397.79</b>	<b>\$161,098.14</b>	<b>\$966,446.02</b>	<b>\$225,919.79</b>

<sup>(1)</sup> Figures are projections.

<sup>(2)</sup> The LCFF was implemented beginning in fiscal year 2013-14.

<sup>(3)</sup> The General Fund Ending Balance in the District's Unaudited Actuals for fiscal years 2013-14 and 2014-15 differs from the District's Audited Financial Report for these years because "Fund 17 - Special Reserve Fund for Other Than Capital Outlay" was included in the General Fund in the District's Audited Financial Report, but it was not included in the General Fund for purposes of the District's Unaudited Actuals for these years.

Source: Santee School District Adopted general fund budgets for fiscal years 2013-14 through 2016-17; and unaudited actuals for fiscal years 2013-14 through 2015-16.

## District Debt Structure

**Long-Term Debt Summary.** A schedule of changes in the District’s long-term obligations for the year ended June 30, 2015, consisted of the following:

Long-Term Debt	Balance, July 1, 2014	Additions	Deductions	Balance, June 30, 2015	Amounts Due Within One Year
General Obligation Bonds <sup>(1)</sup>	\$49,031,966	\$1,347,860	\$430,000	\$49,949,826	\$509,221
Premium on bonds	1,331,204	-	59,066	1,272,138	-
Certificates of participation <sup>(2)</sup>	25,683,776	74,648	200,000	25,558,424	220,000
Accumulated vacation – net	224,718	-	15,482	209,236	-
Qualified Zone Academy Bond	5,000,000	-	-	5,000,000	-
OPEB Obligation, net	1,772,199	1,302,587	983,791	2,090,995	-
	<u>\$83,043,863</u>	<u>\$2,725,095</u>	<u>\$1,688,339</u>	<u>\$84,080,619</u>	<u>\$729,221</u>

<sup>(1)</sup> Does not include the Series 2015 Refunding Bonds, the Series 2016A Refunding Bonds, the Refunding Bonds, the effect of the refunding on outstanding bonds or the planned refunding of the Prior Bonds. See “THE REFUNDING BONDS – Outstanding Bonds” and “– Aggregate Debt Service” in the front portion of this Official Statement for more information about outstanding bonds.

<sup>(2)</sup> Does not reflect the refunding of a portion of the 2008 Certificates with the 2015 Certificates.

Source: Santee School District Audited Financial Report for fiscal year 2014-15.

**General Obligation Bonds.** Without regard to the issuance of the Refunding Bonds, the District has outstanding seven additional series of general obligation bonds, each of which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District on a parity with the Refunding Bonds.

See “THE REFUNDING BONDS – Outstanding Bonds” and “– Aggregate Debt Service” in the front portion of this Official Statement for more information about outstanding bonds.

**Certificates of Participation.** On October 7, 2008, the District executed and delivered \$23,699,849.35 initial aggregate principal amount of its Certificates of Participation (2008 Capital Improvement Project) (the “2008 Certificates”) pursuant to a lease agreement with the Public Property Financing Corporation of California for the purpose of financing the acquisition, construction, installation, modernization, and equipping of improvements to various District facilities. The 2008 Certificates were sold bearing interest rates ranging from 3.25% to 5.75%. The outstanding principal balance at June 30, 2015 was \$23,993,424.

On June 16, 2010, the District executed and delivered \$2,260,000 aggregate principal amount of its Certificates of Participation (2010 Solar Energy Facilities Project) (the “2010 Certificates”) pursuant to a lease agreement with the Santee School District School Facilities Corporation (the “SSDSFC”) for the purpose of constructing and installing certain solar energy improvements located at the District’s Hill Creek Elementary School. The 2010 Certificates were sold bearing stated interest rates ranging between 2.315% and 7.160%. The outstanding principal balance at June 30, 2015, was \$1,565,000.

The annual requirements to amortize the 2008 Certificates and the 2010 Certificates is set forth below:

Fiscal Year	Principal <sup>(1)</sup>	Interest <sup>(1)</sup>	Principal Accretion	Total <sup>(1)</sup>
2016	\$220,000	\$1,318,237	\$79,166	\$1,617,403
2017	245,000	1,307,499	83,957	1,636,456
2018	265,000	1,295,240	89,039	1,649,279
2019	295,000	1,281,518	94,428	1,670,946
2020	325,000	1,265,958	100,143	1,691,101
2021-2025	1,976,252	6,033,128	589,207	8,598,587
2026-2030	928,315	5,759,906	397,337	7,085,558
2031-2035	2,450,963	5,539,253	18,300	8,008,516
2036-2040	4,437,894	4,606,269	-	9,044,163
2041-2045	6,765,000	3,094,437	-	9,859,437
2046-2050	7,650,000	878,075	-	8,528,075
Total	\$25,558,424	\$32,379,520	\$1,451,577	\$59,389,521

<sup>(1)</sup> Does not reflect the refunding of a portion of the 2008 Certificates with the 2015 Certificates.  
Source: Santee School District Audited Financial Report for fiscal year 2014-15.

On December 22, 2015, the District executed and delivered \$23,240,000 aggregate principal amount its 2015 Refunding Certificates of Participation (the “2015 Certificates”) pursuant to a lease agreement with SSDSFC. The proceeds of the 2015 Certificates were used to prepay a portion of the 2008 Certificates. The 2015 Certificates were sold bearing stated interest rates ranging from 3.00% to 5.00% and mature October 1, 2042.

**Accumulated Unpaid Employee Vacation.** The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015 amounted to \$209,236.

**Qualified Zone Academy Bond.** In November 2005, the District issued \$5,000,000 aggregate principal amount of Qualified Zone Academy Bond Program (QZAB) Certificates of Participation. The QZAB Certificates represent interest-free financing for the District. Owners of the QZAB Certificates received a federal tax credit in lieu of charging the District interest on the QZAB Certificates. The QZAB Certificates mature on December 1, 2020. As of June 30, 2015, Chase Bank held \$4,548,893 for payment of principal of the QZAB Certificates.

**Other Post-Employment Benefits (OPEBs).** In addition to the retirement plan benefits with CalSTRS and CalPERS (see “– Retirement Benefits” below), the District administers a single-employer healthcare plan (the “Plan”). The Plan maintains the same healthcare plans for its retirees as for its active employees, as well as an Anthem Blue Cross Open Choice plan for out-of-area employees. Certificated and classified employees are eligible to retire with District-paid benefits after age 55 and after completing at least 15 years of service (the last 5 of which must be consecutive) with the District. Management and confidential employees covered under CalPERS are eligible to retire with District-paid benefits after age 50 and completing at least 10 years of service with District-paid benefits after age 55 and completing at least 10 years of service with the District. Benefits end at age 65 for Certificated, Classified, Management and Confidential employees. Board members whose term of office began before January 1, 1995 are eligible to receive District-paid post-retirement medical benefits under the provisions applicable to Management and Confidential Employees. As of June 30, 2015, membership in the Plan consists of 548 eligible active employees and 79 eligible retirees.

The Governmental Accounting Standards Board (“GASB”) released its Statement Number 45 (“Statement Number 45”), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) (“OPEB”) liabilities much like municipalities are required to account

for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in fiscal year 2008-09.

The contribution requirement of plan members and the District are established and may be amended by the District and the Teachers Association, the local California Service Employees Association (CSEA), and unrepresented groups. The annual required contributions are based on projected pay-as-you-go financing requirements and for fiscal years 2012-13, 2013-14 and 2014-15 were \$652,777, \$631,946 and \$525,619, respectively. For more information about the District's annual required contribution for fiscal year 2014-15 and the District's net OPEB obligation and prefunding of benefits at June 30, 2015, see Note 10 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

Demsey, Filliger & Associates, Inc. prepared an actuarial valuation (the "Actuarial Valuation") covering the District's retiree health benefits and reports that, as of July 1, 2015, the District had 79 eligible retirees as well as approximately 548 eligible active plan members. The District has not established an irrevocable employee benefit trust for the pre-funding of future OPEB benefits. The Actuarial Valuation reports that, as of July 1, 2015, the District had an actuarial accrued liability of \$17,396,236. The Actuarial Valuation provides that the remaining unamortized balance of the initial unfunded actuarially accrued liability is \$10,301,495. For the year beginning July 1, 2015, the annual required contribution was estimated to be \$1,231,699. The Actuarial Valuation projected that the pay-as-you-go requirement to fund retirement benefits would be \$472,192 for fiscal year 2015-16 and \$476,577 for fiscal year 2016-17. In addition, the Actuarial Valuation used a level percent, closed 30 year amortization period for the initial UAAL and a level percent, open 25 year amortization period for any residual UAAL. Assumptions used in the Actuarial Valuation included, among other things, a 2.75% rate of inflation per year, 4.0% discount rate per year and 2.75% payroll increase per year.

**Tax and Revenue Anticipation Notes.** The most recent fiscal year in which the District issued tax and revenue anticipation notes ("TRANS") was fiscal year 2011-12. The District does not expect to issue TRANS or borrow funds to supplement the District's cash flow in fiscal year 2016-17. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

## Employment

As of October 18, 2016, the District employed 344 full-time certificated employees and 81 full-time classified employees. In addition, the District employed 322 part-time faculty and staff. For fiscal year 2015-16, the total certificated and classified payrolls for all funds were approximately \$28.44 million (unaudited) and \$10.7 million (unaudited), respectively, and are budgeted to be approximately \$30.47 million and \$12.0 million, respectively, in fiscal year 2016-17. These employees, except management and some part-time employees, are represented by the bargaining units as noted below:

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
Santee Teachers Association	327.4	June 30, 2018
California School Employees Association	227.15	June 30, 2019

Source: Santee School District.

## Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, and CalPERS, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

*CalSTRS.* Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as “pre-enhancement benefits”) within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2015, an actuarial valuation (the “2015 CalSTRS Actuarial Valuation”) for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$76.20 billion, an increase of approximately \$3.48 billion from the June 30, 2014 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2015, June 30, 2014 and June 30, 2013, based on the actuarial assumptions, were approximately 68.5%, 68.5% and 66.9%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2015 CalSTRS Actuarial Valuation: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2015 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPPRA (as defined herein). See “–Governor’s Pension Reform” below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2015 CalSTRS Actuarial Valuation noted that, as of June 30, 2015, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 33.439% over the next 30 years.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the next three years. The State’s total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions

if they are no longer necessary.

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

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

Source: Assembly Bill 1469.

The following table sets forth the District’s total employer contributions to CalSTRS for fiscal years 2012-13 through 2015-16, and the budgeted contribution for fiscal year 2016-17.

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
Contributions to CalSTRS for Fiscal Years 2012-13 through 2016-17**

Fiscal Year	Contribution
2012-13	\$2,008,196
2013-14	2,051,950
2014-15	2,328,921
2015-16 <sup>(1)</sup>	3,142,623
2016-17 <sup>(2)</sup>	3,975,677

<sup>(1)</sup> Unaudited actuals for fiscal year 2015-16.  
<sup>(2)</sup> Original adopted budget for fiscal year 2016-17.  
 Source: Santee School District.

The District’s total employer contributions to CalSTRS for fiscal years 2012-13 through 2015-16 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

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

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



According to the CalPERS Schools Actuarial Valuation as of June 30, 2014, the CalPERS Schools plan had a funded ratio of 86.6% on a market value of assets basis. The funded ratio, on a market value basis, as of June 30, 2014, June 30, 2013, June 30, 2012, June 30, 2011 and June 30, 2010 was 86.6%, 80.5%, 75.5%, 78.7% and 69.5%. In April 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS employed a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term. In November 2015, the CalPERS Board of Administration approved a proposal pursuant to which the discount rate would be reduced by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the current discount rate of 7.5% by at least four percentage points.

In April 2016, CalPERS approved an increase to the contribution rate for school districts from 11.847% during fiscal year 2015-16 to 13.888% during fiscal year 2016-17. In addition, the CalPERS Finance and Administration Committee has reported that the Schools Actuarial Valuation as of June 30, 2015, which is expected to be released in summer 2016, will indicate that the funded ratio as of June 30, 2015 is approximately 77.5% on a market value of assets basis.

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

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2012-13 through 2015-16, and the budgeted contribution for fiscal year 2016-17.

**SANTEE SCHOOL DISTRICT  
(San Diego County, California)  
Contributions to CalPERS for Fiscal Years 2012-13 through 2016-17**

Fiscal Year	Contribution
2012-13	\$866,249
2013-14	892,013
2014-15	996,113
2015-16 <sup>(1)</sup>	843,496
2016-17 <sup>(2)</sup>	1,043,589

<sup>(1)</sup> Unaudited actuals for fiscal year 2015-16.

<sup>(2)</sup> Original adopted budget for fiscal year 2016-17.

Source: Santee School District.

The District's total employer contributions to CalPERS for fiscal years 2012-13 through 2015-16 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

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

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

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 12 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

***GASB 67 and 68.*** In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would

be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15. See Notes 1 and 15 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

### **Joint Powers Agreement**

The District participates in a joint powers agreement ("JPA") with the San Diego County Office of Education ("SDCOE"). The District pays an annual premium to SDCOE for its workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for its financial reporting purposes.

SDCOE has budgeting and financial reporting requirements independent of its member units. The JPA is governed by a board consisting of representatives from each member district. The governing board controls the operations of its JPA independent of any influence by the member districts beyond their representation on the governing board. Each member school district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. See Note 14 to the District's financial statements attached hereto as APPENDIX B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015" for more information.

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

### **Limitations on Revenues**

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

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

*County of Orange v. Orange County Assessment Appeals Board No. 3.* Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a

result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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

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

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

### **Article XIII B of the California Constitution**

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

The District annually budgets appropriations from “proceeds of taxes” (sometimes referred to as the “Gann limit”). For the 2014-15 fiscal year, the District adopted an appropriations limit equal to the allowable limit of approximately \$34.1 million. The District has adopted an appropriations limit for the 2015-16 fiscal year of approximately \$36.4 million. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State’s allowable limit pursuant to State law.

## Article XIIC and Article 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 (“Article XIIC” and “Article XIID,” respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the 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. 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.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

### Statutory Limitations

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

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

## Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). The Accountability Act changed State funding of public education below the university level, and the operation of the State’s Appropriations Limit. The Accountability Act guarantees State funding for K-12 districts and community college districts (collectively, “K-14 districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

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

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

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

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the “first test”) or (b) the amount appropriated in the prior year adjusted for changes in the cost of living

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

### **Proposition 30**

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State’s income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2018 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see “– Proposition 98 and Proposition 111” above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 tax increases are temporary and expire at the end of the 2016 tax year with respect to the sales and use tax increase and the 2018 tax year with respect to the personal income tax increase. The District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

Voters in the State will consider the California Tax Extension to Fund Education and Healthcare Initiative (“Proposition 55”) at the statewide election to be held in November 2016. If approved, Proposition 55 would extend by twelve years the temporary personal income tax increases enacted by Proposition 30 and allocate tax revenues to school districts and community colleges in the State.

### **Applications of Constitutional and Statutory Provisions**

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

### **Proposition 2**

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

*Rainy Day Fund.* The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year’s deposit to be used for supplemental payments to pay down

the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

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

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 to adversely affect its ability to pay the principal of and interest on the Refunding Bonds as and when due.

### **Future Initiatives**

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



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

**APPENDIX C**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

*Upon issuance and delivery of the Refunding Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Refunding Bonds in substantially the following form:*

**APPENDIX D**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX E

### COUNTY OF SAN DIEGO INVESTMENT POOL DISCLOSURE

*The following information concerning the Treasury Pool of San Diego County (the "Treasury Pool") has been provided by the County Treasurer and has not been confirmed or verified by the District or the Underwriters. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.*

In accordance with Government Code Section 53600 et seq., the 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 53635 et seq. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

All investments in the County Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the San Diego County Board of Supervisors and the County Treasurer's investment policy.

#### **General**

Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the County Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County (and the various departments in the County, such as Public Works and Public Administration), funds of certain local agencies within the County, including school districts in the County, are required under state law to be deposited into County Treasury ("Involuntary Depositors"). In addition, certain agencies, including community college districts, invest certain of their funds in the County Treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary Depositors, the "Depositors"). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "Treasury Pool" or the "Pool"). No particular deposits are segregated for separate investment.

Under State law, Depositors in the Pool are permitted to withdraw funds which they have deposited on 30 days' notice. The County does not expect that the Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Pool.

The County has established an Oversight Committee pursuant to State law. The members of the Oversight Committee include the County Treasurer, the County Auditor, the County Superintendent of Schools or designee, a representative from special districts, a representative from school districts and community college districts in the County, and members of the public. The role of the Oversight Committee is to review and approve the Investment Policy that is prepared by the County Treasurer.

#### **The Treasury Pool's Portfolio**

As of August 31, 2016, the securities in the Treasury Pool had a market value of \$7.556 billion and a book value of \$7.552 billion, for a net unrealized loss of \$4.086 million of the book value of the Treasury Pool.

The effective duration for the Treasury Pool was 0.84 years as of August 31, 2016. "Duration" is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. A duration of 0.84 years means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.84%.

As of August 31, 2016, approximately 7.26% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 10.75% by community colleges, 33.93% by the County, 2.44% by the Non-County and 45.62% by K-12 school districts.

Standard & Poor's Ratings Group maintains ratings of "AAAF" (extremely strong protection against losses and credit defaults) and "S-1" (low sensitivity to changing market conditions) on the Pool. The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Standard & Poor's Rating Services, a Division of McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041.

### **Investments of the Treasury Pool**

Authorized Investments: Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities, and specific supranational debt securities.

Generally, investments in repurchase agreements cannot exceed a term of one year and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security and the value of the repurchase agreement shall be adjusted no less than quarterly. In addition, reverse repurchase agreement generally may not exceed 20% of the base value of the portfolio and the term of the agreement may not exceed 92 days.

Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation. Base Value is defined as the total cash balance excluding any amounts borrowed (i.e., amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods).

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. At all times, the Pool's investments will comply with California Government Code and the County's Investment Policy (the "Investment Policy").

The Investment Policy: The Investment Policy currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer's control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve an investment return on the funds under the control of the County Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 50% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. Furthermore, at least 25% of the securities must mature within 90 days. The maximum effective duration for the Pool shall be 1.50 years.

With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements and/or securities lending agreements to 20% of the total investments in the Pool. The Investment Policy states that the uses of reverse repurchase agreements shall be to invest the proceeds from the agreement into permissible securities that have the highest short-term credit ratings; to supplement the yield on securities owned by the Pool; or to provide funds for the immediate payment of an obligation. The maturity of the reverse repurchase agreement and the maturity of the security purchased shall be the same.

The County from time to time has engaged in securities lending transactions. Generally, these transactions involve the transfer by the governmental entity, through an agent, of securities to certain broker-dealers and financial institutions or other entities in exchange for collateral, and this collateral may be cash or securities. Most commonly, these transactions provide for the simultaneous return of the collateral to the securities borrower upon receipt of the same securities at a later date. Presently, the County has suspended its securities lending transactions program, but may decide to enter into a securities lending agreement in the future. Any such securities lending transactions are considered reverse repurchase agreements under the Investment Policy and, accordingly, the total principal amount of reverse repurchase agreements and securities lending agreements may not exceed 20% of the Pool. Since the inception of the County's securities lending program in 1987, there has not been any loss of principal to the Pool resulting from these securities lending transactions or the investment of the related collateral.

The Investment Policy also authorizes investments in covered call options and put options, which are options that the County Treasurer sells to a third party the right to buy an existing security in the Pool or sell a security to the Pool, both at a specific price within a specific time period. Under the Investment Policy, securities subject to covered calls are not to be used for reverse repurchase agreements; cash sufficient to pay for outstanding puts are to be invested in securities maturing on or before the expiration date of the option; the maximum maturity of a covered call option/put option is to be 90 days and not more than 10% of the total investments in the Pool could have options written against them at any given time.

### **Certain Information Relating to Pool**

The following table reflects information with respect to the Pool as of the close of business August 31, 2016. As described above, a wide range of investments is authorized by state law. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following table were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on August 31, 2016, the Pool necessarily would have received the values specified.

[INSURED COUNTY OF SAN DIEGO POOLED MONEY FUND]

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Refunding Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.*

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

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of



Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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