

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

**\$38,500,000\***

**MT. DIABLO UNIFIED SCHOOL DISTRICT  
(Contra Costa County, California)  
GENERAL OBLIGATION BONDS,  
2010 ELECTION, 2015 SERIES F**

Dated: Date of Delivery

Due: August 1, as shown below

The Mt. Diablo Unified School District General Obligation Bonds, 2010 Election, 2015 Series F (the “Bonds”) are issued under and pursuant to a bond authorization (the “2010 Authorization”) for the issuance and sale of not more than \$348,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at a general election held on June 8, 2010. The Bonds are being issued to finance the construction, acquisition, furnishing and equipping of District facilities and to pay certain costs of issuance of the Bonds, as more fully described herein under the caption “THE PROJECTS.” The Bonds are the sixth series of bonds issued under the 2010 Authorization and are issued on a parity with all other general obligation bonds of the District.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2016. See “THE BONDS” herein.

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

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

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

**MATURITY SCHEDULE**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>1</sup> (621196)	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>1</sup> (621196)
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\$ \_\_\_\_\_ % Term Bonds due August 1, 20\_\_ Priced to Yield: \_\_\_%<sup>†</sup> CUSIP<sup>1</sup>: 621196 \_\_

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

*The Bonds will be offered when, as and if issued and received by the Underwriters subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the issue. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as Special Tax Counsel to the District with respect to issuance of the Bonds. Certain matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about July 14, 2015.*

**STIFEL LOGO****GEORGE K. BAUM & COMPANY**

The Date of this Official Statement is: \_\_\_\_\_, 2015

\* Preliminary; subject to change.

<sup>1</sup> Copyright 2015, American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriters take any responsibility for the accuracy of such CUSIP number.

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

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

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of Contra Costa, the County of Contra Costa has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE CONTRA COSTA COUNTY TREASURY POOL."

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

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

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

**MT. DIABLO UNIFIED SCHOOL DISTRICT**  
**Contra Costa County, State of California**

**Board of Education**

Cheryl Hansen, *President*  
Debra Mason, *Vice-President*  
Brian Lawrence, *Member*  
Barbara Oaks, *Member*  
Linda Mayo, *Member*

**District Administrators**

Nellie Meyer, Ed.D. *Superintendent*  
Julie Braun-Martin, *Assistant Superintendent of Elementary Schools*  
Rose Lock, *Assistant Superintendent of Middle Schools*  
Chris Holleran, *Assistant Superintendent of High Schools*  
Nance Juner, *Director of Budget and Fiscal Services*  
Lawrence M. Schoenke, *Interim General Counsel*

**SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**

Dannis Woliver Kelley  
*Long Beach, California*

**Special Tax Counsel**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**Financial Advisor**

Dale Scott & Company  
*San Francisco, California*

**Paying Agent, Transfer Agent and Registration Agent**

Wells Fargo Bank, National Association  
*San Francisco, California*

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**\$38,500,000\***  
**MT. DIABLO UNIFIED SCHOOL DISTRICT**  
**(Contra Costa County, California)**  
**GENERAL OBLIGATION BONDS, 2010 ELECTION, 2015 SERIES F**

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

The Mt. Diablo Unified School District (the “District”) proposes to issue \$38,500,000\* aggregate principal amount of its General Obligation Bonds, 2010 Election, 2015 Series F (the “Bonds”) under and pursuant to a bond authorization (the “2010 Authorization”) for the issuance and sale of not more than \$348,000,000 of general obligation bonds approved by more than 55% of the qualified voters of the District voting on the proposition at a general election held on June 8, 2010 (the “Election”). The Bonds are the sixth series of bonds issued under the 2010 Authorization. Subsequent to the issuance of the Bonds, \$38,500,943.45\* aggregate principal amount of general obligation bonds will remain for issuance under the 2010 Authorization. The Bonds are issued on a parity with all general obligation bonds of the District.

**Purpose of Issue**

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

**Registration**

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

**The District**

The District, a unified school district of the State of California (the “State”), was established on July 1, 1949, and is located in the northwestern portion of Contra Costa County (the “County”). The District covers approximately 150 square miles including the cities of Concord, Pleasant Hill and Clayton, portions of the cities of Walnut Creek, Pittsburg and Martinez, and unincorporated areas of the County, including Pacheco and Bay Point, and is located approximately 30 miles northeast of San Francisco. The District provides kindergarten through twelfth grade education services in thirty-one elementary schools, nine middle schools, five high schools and seventeen alternative schools and programs, and provides adult education in two adult education centers. The District’s estimated average daily attendance (“ADA”) for fiscal year 2014-15 is 30,572 students, and the District has a 2014-15 assessed valuation of \$33,034,981,481. The District’s audited financial statements for the fiscal year

\* Preliminary; subject to change.

ended June 30, 2014 are attached hereto as APPENDIX C. For further information concerning the District, see the caption “MT. DIABLO UNIFIED SCHOOL DISTRICT” herein.

### **Sources of Payment for the Bonds**

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

### **Authority for Issuance**

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

### **Redemption**

The Bonds are subject to optional and mandatory sinking fund redemption as described herein. See “THE BONDS – Redemption” herein.

### **Tax Matters**

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

### **Continuing Disclosure**

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See “THE BONDS – Continuing Disclosure Agreement,” “CONTINUING DISCLOSURE” and “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

### **Closing Date**

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about July 14, 2015.

## **THE BONDS**

### **Authority for Issuance**

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 1, Division 1, Part 10, Chapter 1.5 of the Government Code of the State of California (the “Government Code”) (commencing with Section 53506) and pursuant to a resolution of the Board of Education of the District adopted on May 4, 2015 (the “Resolution”).

The Bonds are being issued pursuant to provisions of the State Constitution affected by Proposition 39, the Constitutional initiative passed by voters on November 7, 2000, and were therefore approved by a 55% vote of the electorate voting on the proposition at the Election conducted within the District on June 8, 2010. See the caption “Proposition 39” under the heading “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” herein.

The Bonds are issued under and pursuant to a bond authorization for the issuance and sale of not more than \$348,000,000 of general obligation bonds approved at the Election. Subsequent to the issuance of the Bonds, \$38,500,943.45\* aggregate amount of general obligation bonds will remain for issuance under the 2010 Authorization.

### **Purpose of Issue**

The net proceeds of the Bonds and any other series of general obligation bonds issued under the 2010 Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which includes improving science, career and technical education facilities; upgrading classroom instructional technology; repairing leaky roofs; improving safety; maximizing energy efficiency including adding solar panels and modern air conditioning; and repairing, replacing, equipping or modernizing other school facilities. For a more detailed description of the intended uses of the proceeds of the Bonds, see the caption “THE PROJECTS” below.

### **Description of the Bonds**

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

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

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

\* Preliminary; subject to change.



## **Payment of the Bonds**

Interest on the Bonds is payable commencing February 1, 2016, and semiannually thereafter on February 1 and August 1 of each year (each, an “Interest Payment Date”). The Bonds shall be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date ( the “Record Date”). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered during the period from the 16<sup>th</sup> day of the month immediately preceding any Interest Payment Date to that Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is registered prior to the close of business on January 15, 2016, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

## **Redemption \***

### ***Optional Redemption***

The Bonds maturing on or before August 1, 20\_\_ are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on and after August 1, 20\_\_ are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, on any date on or after August 1, 20\_\_, as a whole or in part, at a redemption price equal to the principal amount of the Bonds called for redemption, with interest accrued thereon to the date of redemption, without premium.

### ***Mandatory Sinking Fund Redemption***

The Bonds maturing on August 1, 20\_\_, are subject to mandatory sinking fund redemption, in part, on August 1 of each year from moneys in the Debt Service Fund established under the Bond Resolution and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

\* Preliminary; subject to change.

Mandatory Sinking Fund  
Payment Date  
(August 1)

Principal

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\* Maturity

### **Selection of Bonds for Redemption**

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

### **Notice of Redemption**

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

***Conditional Notice of Redemption.*** Any notice of optional redemption of the Bonds delivered in accordance with the Resolution may be conditional, and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice: (i) shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds; (iii) the redemption shall not be made and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

### **Effect of Notice of Redemption**

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

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

### **Transfer and Exchange**

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

### **Defeasance**

If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Bond Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Bond Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Bond Resolution.

### **Book-Entry Only System**

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

## **Continuing Disclosure Agreement**

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. The District is current on all filings required pursuant to its previous continuing disclosure agreements and within the last five years has not failed to comply with its continuing disclosure obligations. See “CONTINUING DISCLOSURE” and “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

## **Application and Investment of Bond Proceeds**

The proceeds of sale of the Bonds, exclusive of any premium and accrued interest received, shall be deposited in the County Treasury to the credit of the Building Fund of the District. Any premium and accrued interest shall be deposited upon receipt in the Debt Service Fund of the District within the County Treasury. All funds held in the Debt Service Fund of the District shall be invested at the sole discretion of the County Treasurer. All funds held in the Building Fund of the District by the County Treasurer hereunder shall be invested at the County Treasurer’s discretion, unless otherwise directed in writing by the District, pursuant to law and the investment policy of the County. In addition, at the written direction of the District, all or any portion of the Building Fund of the District may be invested in the Local Agency Investment Fund in the treasury of the State of California.

## **SOURCES AND USES OF FUNDS**

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

### *Sources of Funds*

Principal Amount of Bonds  
Net Original Issue Premium  
Total Sources

### *Uses of Funds*

Deposit to Building Fund  
Costs of Issuance<sup>(1)</sup>  
Total Uses

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<sup>(1)</sup> Payment of Underwriters’ discount, Bond and Disclosure Counsel fees, Special Tax Counsel fees, financial advisory fees, rating agency fees and other costs of issuance.

**DEBT SERVICE SCHEDULE**

The first of the following two tables summarizes the principal and interest payments on the Bonds. The second table shows the annual debt service payments on all of the District’s outstanding general obligation bonds, comprising the Bonds, the General Obligation Refunding Bonds, Series 2011 (the “Series 2011 Refunding Bonds”), the General Obligation Refunding Bonds, Election of 2002, Series B (the “Series B Refunding Bonds”), the General Obligation Refunding Bonds, Election of 2002, Series B-2 (the “Series B-2 Refunding Bonds”), the General Obligation Refunding Bonds, Election of 2002, Series C (the “Series C Refunding Bonds”), the General Obligation Bonds, 2010 Election, 2010 Series A and 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds – Direct Payment) (collectively, the “Series 2010 Bonds”), the General Obligation Bonds, 2010 Election, 2011 Series C (Federally Taxable Qualified School Construction Bonds - Direct Payment) and 2011 Series D (collectively, the “Series 2011 Bonds”) and the General Obligation Bonds, 2010 Election, 2012 Series E (the “Series 2012 Bonds”):

**DEBT SERVICE ON THE BONDS**

Bond Year Ending August 1	Principal	Interest	Total Debt Service
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Total

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## DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

### 2002 Authorization

### 2010 Authorization

Period Ending August 1 <sup>(1)</sup>	Series 2011 Refunding Bonds	Series B Refunding Bonds	Series B-2 Refunding Bonds	Series C Refunding Bonds	Series 2010 Bonds <sup>(2)</sup>	Series 2011 Bonds	Series 2012 Bonds	The Bonds	Total Debt Service
2015	\$ 3,432,237.50	\$ 5,968,600.00	\$ 1,954,562.50	\$3,343,000.00	\$ 6,493,922.10	\$ 933,890.00	\$ 6,719,850.00		
2016	3,424,387.50	5,963,800.00	1,954,562.50	3,335,400.00	5,478,190.90	968,890.00	6,723,850.00		
2017	3,413,287.50	5,937,800.00	1,954,562.50	3,381,400.00	6,148,344.50	993,890.00	6,927,550.00		
2018	3,420,237.50	5,910,000.00	1,954,562.50	3,388,800.00	6,857,688.20	1,028,890.00	7,270,750.00		
2019	3,429,962.50	5,884,000.00	1,954,562.50	3,384,000.00	7,589,637.20	1,058,890.00	7,659,550.00		
2020	3,430,675.00	5,864,750.00	1,954,562.50	3,367,400.00	8,341,776.80	1,082,640.00	8,076,550.00		
2021	3,442,925.00	5,843,250.00	1,954,562.50	3,329,400.00	9,102,163.40	1,128,890.00	8,489,950.00		
2022	3,456,750.00	5,825,750.00	1,954,562.50	3,265,800.00	9,961,444.80	1,336,390.00	8,674,150.00		
2023	3,461,250.00	5,806,500.00	1,954,562.50	3,187,600.00	10,928,459.90	1,348,330.00	9,052,550.00		
2024	3,468,750.00	-	7,849,562.50	3,095,400.00	11,933,505.70	1,337,030.00	9,408,050.00		
2025	3,473,750.00	-	7,845,812.50	2,977,150.00	12,978,068.30	1,323,570.00	9,883,550.00		
2026	3,481,000.00	-	7,843,062.50	2,831,650.00	14,066,678.50	822,950.00	10,856,800.00		
2027	-	-	7,840,312.50	6,195,400.00	15,195,242.10	838,700.00	11,076,300.00		
2028	-	-	7,845,812.50	5,988,150.00	16,390,737.50	875,625.00	11,626,800.00		
2029	-	-	7,845,062.50	5,775,150.00	17,758,112.50	898,875.00	11,190,550.00		
2030	-	-	-	13,257,400.00	19,304,662.50	937,075.00	9,964,800.00		
2031	-	-	-	12,963,166.67 <sup>(3)</sup>	20,964,437.50	975,875.00	9,519,300.00		
2032	-	-	-	-	6,817,637.50	-	14,157,300.00		
2033	-	-	-	-	5,812,650.00	-	15,850,050.00		
2034	-	-	-	-	6,047,050.00	-	17,716,487.50		
2035	-	-	-	-	6,286,837.50	-	19,759,750.00		
2036	-	-	-	-	-	-	19,370,500.00		
2037	-	-	-	-	-	-	10,458,333.33 <sup>(3)</sup>		
<b>Total</b>	<b>\$41,335,212.50</b>	<b>\$53,004,450.00</b>	<b>\$64,660,687.50</b>	<b>\$83,066,266.67</b>	<b>\$224,457,247.40</b>	<b>\$17,890,400.00</b>	<b>\$250,433,320.83</b>		

<sup>(1)</sup> The Bond Year ends on July 1 for the Series B Refunding Bonds and the Series B-2 Refunding Bonds; and August 1 for the Series 2011 Refunding Bonds, the Series 2010 Bonds, the Series 2011 Bonds, the Series 2012 Bonds (except for the Bonds maturing in 2037 which mature on June 1) and the Bonds.

<sup>(2)</sup> Excludes the anticipated receipt of subsidy payments to be made on a portion of the Series 2010 Bonds and a portion of the Series 2011 Bonds.

<sup>(3)</sup> Matures on June 1, 2037.

**SECURITY FOR THE BONDS**

**General**

The Bonds are general obligations of the District, and the Board of Supervisors of the County of Contra Costa has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. See “TAX BASE FOR REPAYMENT OF THE BONDS” herein. Subsequent to the issuance of the Bonds, no further general obligation bonds will remain for issuance under the 2010 Authorization except for a residual amount which, for practical reasons, the District does not intend to issue. All general obligation bonds of the District are issued on a parity with one another.

**THE PROJECTS**

The District intends to apply the net proceeds of the Bonds to finance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond proposition approved at the Election.

The “Strict Accountability in Local School Construction Bonds Act of 2000,” known as Proposition 39, comprising Section 15264 *et seq.* of the Education Code, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the bonds issued pursuant to the 2010 Authorization (the “Project List”). For each series of bonds issued pursuant to the 2010 Authorization, the District will prioritize among these items on the Project List and will not undertake to complete all components of the Project List.

**Project List**

Bond proceeds will be expended to modernize, replace, renovate, expand, construct, acquire, equip, furnish and otherwise improve the classrooms and school facilities of the District, including those located at the following locations:

<b>Elementary Schools</b>			
Ayers	Bancroft	Bel Air	Cambridge
Cornerstone	Delta View	Eagle Peak	El Monte
Fair Oaks	Gregory Gardens	Hidden Valley	Highlands
Holbrook	Meadow Homes	Monte Gardens	Mt. Diablo
Mountain View	Pleasant Hill	Rio Vista	Sequoia
Shore Acres	Silverwood	Strandwood	Sun Terrace
Sunrise	Valhalla	Valle Verde	Walnut Acres
Westwood	Woodside	Wren Avenue	Ygnacio Valley
<b>Middle Schools</b>			
Diablo View	El Dorado	Foothill	Glenbrook
Oak Grove	Pine Hollow	Pleasant Hill	Riverview
Sequoia	Valley View		

<b>High Schools</b>			
Clayton Valley	College Park	Concord	Mt. Diablo
Northgate	Ygnacio Valley		

<b>Mt. Diablo Adult Education</b>	
Loma Vista Adult Center	Pleasant Hill Education Center

<b>Alternative Schools and Programs</b>			
Alliance Program	Cares After School Program	Coordinator Care Team	Crossroads NSHS
Diablo Day	Foster Youth Services	Gateway NSHS	Homeless
Home and Hospital	HOPE	Horizons: CIS	Horizons: Home Study
Nueva Vista NSHS	Robert R. Shearer Preschool	Shadelands	Summer School
Summit NSHS	Transitional Learning	Work Experience	

The specific school facilities projects to be funded include, but shall not be limited to:

#### **School Renovation, Repair and Upgrade Projects**

- Renovate, repair, expand and/or upgrade the interior and/or exterior of existing classrooms and school facilities throughout the District, including infrastructure and landscaping improvements.
- Repair outdated temporary portable classrooms or replace with permanent classrooms.
- Repair and upgrade roofs, ceilings, walls, and floors.
- Replace existing wiring systems to meet current electrical and accessibility codes and increased capacity.
- Repair/replace existing plumbing systems to meet current codes, including drainage.
- Install additional and/or replace outdated heating, ventilation, air conditioning systems, and lighting systems with building code compliant systems.
- Provide enhanced computer labs.
- Upgrade, expand, repair and/or equip science labs, multi-purpose rooms, food service facilities, auditoriums, libraries, and other school facilities.
- Classroom interiors will receive improvements such as new paint, carpet/vinyl tile/asbestos abatement, white markerboards, tackable surfaces, increased secure storage capacity for instructional materials and equipment, etc.
- Replace existing window systems with energy efficient systems.

#### **School Site Health, Safety and Security Projects**

- Upgrade or replace buildings that do not meet current minimum building code standards.
- Remove all dry rot and repair damage caused by dry rot.
- Replace/upgrade existing signage, bells, clocks and fire protection systems.
- Install, repair, upgrade, or replace safety and security systems for students and staff, including new fencing around the schools.
- Install energy efficient systems including “green” building projects and sustainable building practices to promote energy-efficiency (e.g., solar, high performance lighting, electrical systems panel, HVAC etc.).
- Upgrade and repair play areas and play fields.
- Replace existing wooden doors and hardware.



- Upgrade, repair, or expand school site parking, driveways, walkways, ground, and utilities.
- Abate and remove hazardous materials identified prior or during construction.
- Repair, replace and/or upgrade paved surfaces, turf, and other grounds to eliminate safety hazards and improve outside instructional areas.

### **District-Wide Wiring and Technology for Instructional Support and Effective Learning Environment Projects**

- Upgrade and expand campus wide-intercom and wireless systems, and telecommunications, internet, and network connections.
- Upgrade media, audio/visual equipment, and other technology for effective learning environments, including smart boards and “distance learning”.
- Upgrade and replace classroom equipment and instructional aides.

### **Construction Projects at School Sites**

- Construct additional classrooms/classroom buildings, restrooms and other related school facilities throughout the District.

### **Miscellaneous Projects**

- Address unforeseen conditions revealed by construction/modernization (such as plumbing or gas line breaks, dry rot, seismic, structural, etc.).
- Other improvements required to comply with existing building codes, including the Field Act, and access requirements of the Americans with Disabilities Act.
- Necessary site preparation/restoration in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation, utility lines (such as gas lines, water lines, electrical lines, sewer lines, and communication lines), trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to the property.
- Rental or construction of storage facilities and other space on an interim basis, as needed to accommodate construction materials, equipment, and personnel, and interim classrooms (including relocatables) for students and school functions or other storage for classroom materials displaced during construction.
- Acquisition of any of the facilities on the Project List through temporary lease or lease-purchase arrangements, or execute purchase option under leases for any of these authorized facilities.
- For any project involving rehabilitation or renovation of a building or the major portion of a building, the District shall be authorized to proceed with new replacement construction instead, if the Board of Education determines that replacement and new construction is more economically practical than rehabilitation and renovation, considering the building's age, condition, expected remaining life, and other relevant factors.
- Acquisition of any of the facilities on the Bond Project List through temporary lease or lease-purchase arrangements, or execute purchase option under leases for any of these authorized facilities.
- Acquisition of leasehold interest on facilities currently subject to lease.

- All work necessary and incidental to specific projects described above, including demolition of existing structures.

The listed building repair and rehabilitation projects, including upgrades will be completed as needed. Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs, program management, staff training expenses and a customary contingency, and escalation for unforeseen design and construction costs. In addition to the listed repair and construction projects stated above, the Priority School Projects List also includes the payment of the costs of preparation of all facility planning, facility assessment reviews, environmental studies, construction documentation, inspection and permit fees, and temporary housing of dislocated District activities caused by bond projects. The allocation of bond proceeds may be affected by the District's receipt of State matching funds and the final costs of each project. In the absence of State matching funds, which the District will aggressively pursue to reduce the District's share of the costs of the projects, the District may not be able to complete some of the projects listed above. The budget for each project is an estimate and may be affected by factors beyond the District's control. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. Based on the final costs of each project, certain of the projects described above may be delayed or may not be completed. Demolition of existing facilities and reconstruction of facilities scheduled for repair and upgrade may occur, if the Board determines that such an approach would be more cost-effective in creating more enhanced and operationally efficient campuses. Necessary site preparation/restoration, landscaping, may occur in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation, utility lines, trees and landscaping, redirecting fire access, and acquiring any necessary easements, licenses, or rights of way to the property.

## **TAX BASE FOR REPAYMENT OF THE BONDS**

### **Assessed Valuations**

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

A State-reimbursed exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

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

The following table presents the historical assessed valuation in the District for the last fourteen fiscal years including the annual percent change. The District's total assessed valuation is \$33,034,981,481 in fiscal year 2014-15.

**MT. DIABLO UNIFIED SCHOOL DISTRICT**  
**Summary of Assessed Valuations**  
**Fiscal Years 2001-02 Through 2014-15**

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2001-02	\$19,501,805,860	\$15,111,986	\$899,543,508	\$20,416,461,174	--
2002-03	20,950,443,237	14,591,990	942,041,048	21,892,484,285	7.23%
2003-04	22,705,133,044	6,252,431	920,522,887	23,631,908,362	7.95
2004-05	24,434,456,724	6,489,435	868,334,641	25,309,280,800	7.10
2005-06	26,500,394,364	7,186,091	942,384,927	27,449,965,382	8.46
2006-07	29,196,571,252	6,300,577	951,192,569	30,154,064,398	9.85
2007-08	31,650,036,905	4,180,952	964,357,554	32,618,575,411	8.17
2008-09	31,738,225,590	3,832,225	1,062,848,164	32,804,905,979	0.57
2009-10	29,639,009,735	3,832,225	1,051,293,746	30,694,135,706	-6.43
2010-11	28,924,776,672	7,279,811	974,038,398	29,906,094,881	-2.57
2011-12	28,609,334,442	6,768,296	934,855,683	29,550,958,421	-1.19
2012-13	27,968,639,633	6,768,296	912,822,483	28,888,230,412	-2.24
2013-14	29,445,989,430	5,332,256	885,862,726	30,337,184,412	5.03
2014-15	32,106,950,096	5,221,838	922,809,547	33,034,981,481	8.87

Source: California Municipal Statistics, Inc.

The table below presents the 2014-15 assessed valuation within the District by jurisdiction.

**MT. DIABLO UNIFIED SCHOOL DISTRICT**  
**2014-15 Assessed Valuation by Jurisdiction<sup>(1)</sup>**

<u>Jurisdiction:</u>	<u>Assessed Valuation in School District</u>	<u>% of School District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in School District</u>
City of Clayton	\$ 1,866,376,581	5.65%	\$1,866,376,581	100.00%
City of Concord	13,057,174,559	39.53	13,057,174,559	100.00
City of Martinez	1,739,556,895	5.27	4,802,400,460	36.22
City of Pittsburg	1,069,943,558	3.24	6,053,219,694	17.68
City of Pleasant Hill	4,982,119,158	15.08	4,982,119,158	100.00
City of Walnut Creek	5,728,365,023	17.34	14,204,321,931	40.33
Unincorporated Contra Costa County	<u>4,591,445,707</u>	<u>13.90</u>	32,855,368,294	13.97
Total District	\$33,034,981,481	100.00%		
Contra Costa County	\$33,034,981,481	100.00%	\$160,469,862,791	20.59%

<sup>(1)</sup> Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

The table below presents the 2014-15 assessed valuation within the District by land use.

**MT. DIABLO UNIFIED SCHOOL DISTRICT**  
**2014-15 Assessed Valuation and Parcels by Land Use**

	2014-15 <u>Assessed Valuation</u> <sup>(1)</sup>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>	No. of Taxable <u>Parcels</u>	% <u>Total</u>
<b>Non-Residential:</b>						
Agricultural/Rural	\$ 160,969,364	0.50%	245	0.29%	236	0.28%
Commercial/Office	3,853,913,799	12.00	1,479	1.74	1,462	1.75
Vacant Commercial	81,092,240	0.25	165	0.19	133	0.16
Industrial	2,664,241,965	8.30	533	0.63	528	0.63
Vacant Industrial	72,501,727	0.23	69	0.08	68	0.08
Recreational	57,418,678	0.18	74	0.09	74	0.09
Government/Social/Institutional	120,783,295	0.38	1,499	1.77	758	0.91
Miscellaneous	<u>84,235,575</u>	<u>0.26</u>	<u>1,327</u>	<u>1.56</u>	<u>1,088</u>	<u>1.31</u>
Subtotal Non-Residential	\$7,095,156,643	22.10%	5,391	6.35%	4,347	5.22%
<b>Residential:</b>						
Single Family Residence	\$20,156,830,240	62.78%	60,211	70.90%	60,174	72.23%
Condominium/Townhouse	2,851,088,339	8.88	15,603	18.37	15,594	18.72
Rural Residential	151,071,920	0.47	239	0.28	239	0.29
Mobile Home	15,968,240	0.05	754	0.89	754	0.91
2-4 Residential Units	281,624,515	0.88	725	0.85	725	0.87
5+ Residential Units/Apartments	1,439,827,484	4.48	553	0.65	540	0.65
Vacant Residential	<u>115,382,715</u>	<u>0.36</u>	<u>1,444</u>	<u>1.70</u>	<u>933</u>	<u>1.12</u>
Subtotal Residential	\$25,011,793,453	77.90%	79,529	93.65%	78,959	94.78%
<b>Total</b>	<b>\$32,106,950,096</b>	<b>100.00%</b>	<b>84,920</b>	<b>100.00%</b>	<b>83,306</b>	<b>100.00%</b>

<sup>(1)</sup> Local Secured Assessed Valuation; excluding tax-exempt property.  
Source: California Municipal Statistics, Inc.

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The table below sets forth the largest local secured taxpayers within the District in fiscal year 2014-15.

**MT. DIABLO UNIFIED SCHOOL DISTRICT  
2014-15 Largest Total Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total<sup>(1)</sup></u>
1.	Tesoro Refining & Marketing Co.	Heavy Industrial	\$1,290,783,957	4.02%
2.	Taubman Land Associates LLC	Regional Mall	172,618,443	0.54
3.	CSAA Inter-Insurance Bureau	Office Building	123,324,562	0.38
4.	Chevron USA Inc.	Office Building	123,122,572	0.38
5.	Sierra Pacific Properties Inc.	Office Building	114,329,539	0.36
6.	PH Crescent Drive Investors	Shopping Center	99,415,043	0.31
7.	DWF III Concord Tech LLC	Office Building	94,859,935	0.30
8.	Park Regency Partners	Apartments	90,767,393	0.28
9.	GSG Residential Park Central	Apartments	76,276,729	0.24
10.	Clayton Valley Shopping Center	Shopping Center	67,878,523	0.21
11.	Seecon Financial & Construction Co.	Office Building	62,912,412	0.20
12.	Willows Center Concord	Shopping Center	61,910,929	0.19
13.	Metropolitan Life Insurance Co.	Office Building	61,813,679	0.19
14.	San Marcos Properties LLC	Apartments	61,784,888	0.19
15.	GSG Resident Iron Horse Park	Apartments	60,184,652	0.19
16.	FW CA PH Shopping Center LLC	Shopping Center	60,000,000	0.19
17.	PMI Plaza LLC	Office Building	52,597,804	0.16
18.	SFG Owner LLC	Office Building	50,387,972	0.16
19.	Behringer Harvard Renaissance	Apartments	49,299,491	0.15
20.	Concord Center Investors LLC	Office Building	<u>44,299,639</u>	<u>0.14</u>
			\$2,818,568,162	8.78%

<sup>(1)</sup> 2014-15 total secured assessed valuation: \$ 32,106,950,096.

Source: California Municipal Statistics, Inc.

**Tax Rates**

The following table sets forth typical tax rates levied in Tax Rate Area (2-002) for fiscal years 2009-10 through 2014-15:

**MT. DIABLO UNIFIED SCHOOL DISTRICT  
Typical Tax Rate per \$100 Assessed Valuation (TRA 2-002)**

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Bay Area Rapid Transit District	.0057	.0031	.0041	.0043	.0075	.0045
East Bay Regional Park District	.0108	.0084	.0071	.0051	.0078	.0085
Mount Diablo Unified School District	.0493	.0600	.0612	.0871	.0740	.0853
Contra Costa Community College District	<u>.0126</u>	<u>.0133</u>	<u>.0144</u>	<u>.0087</u>	<u>.0252</u>	<u>.0252</u>
Total All Property Tax Rate	\$1.0784	\$1.0848	\$1.0868	\$1.1052	\$1.1026	\$1.1235
Contra Costa Water District (Land Only)	.0048	.0049	.0051	.0045	.0042	.0037

Source: California Municipal Statistics, Inc.

## **The Teeter Plan**

The Board of Supervisors of the County, as of the 1950-51 fiscal year, approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

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

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

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The delinquency rate for *ad valorem* property taxes exceeded 3% within the District in fiscal year 2008-09 but the County’s Teeter Plan has not been suspended. The District knows of no petition for the discontinuance of the Teeter Plan now pending in the County.

**Secured Tax Charges and Delinquencies**

The following table sets forth the secured tax charges and delinquencies within the District from fiscal year 2007-08 through fiscal year 2013-14. Because the County participates in the Teeter Plan, the District does not realize property tax delinquencies but is paid 100% of property taxes levied in the District, regardless of delinquencies. See “ - The Teeter Plan” above.

**MT. DIABLO UNIFIED SCHOOL DISTRICT  
SECURED TAX CHARGES AND DELINQUENCIES  
FISCAL YEARS 2007-08 THROUGH 2013-14**

	Secured Tax Charge <sup>(1)</sup>	Amount Delinquent June 30	% Delinquent June 30
2007-08	\$13,151,902.12	\$526,267.47	4.00%
2008-09	14,200,845.88	460,317.48	3.24
2009-10	14,382,466.91	310,553.48	2.16
2010-11	17,101,571.50	257,674.68	1.51
2011-12	17,170,450.13	214,096.51	1.25
2012-13	24,023,237.86	208,804.54	0.87
2013-14	21,540,513.25	171,822.10	0.80

<sup>(1)</sup> Bond debt service levy only.  
Source: California Municipal Statistics, Inc.

**Direct and Overlapping Debt**

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

The following table is a statement of the District's direct and estimated overlapping bonded debt as of January 1, 2015:

**MT. DIABLO UNIFIED SCHOOL DISTRICT  
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS**

2014-15 Assessed Valuation: \$33,034,981,481

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/15<sup>(1)</sup></u>
Bay Area Rapid Transit District	5.892%	\$ 37,166,441
Contra Costa Community College District	20.667	94,212,586
<b>Mount Diablo Unified School District</b>	<b>100.000</b>	<b>423,130,057<sup>(2)</sup></b>
Mount Diablo Unified School District Community Facilities District No. 1	100.000	25,890,000
East Bay Regional Park District	9.044	16,059,883
Pleasant Hill Recreation and Park District	89.063	23,748,649
City of Martinez	36.223	8,351,213
City of Pittsburg Community Facilities District No. 2005-2	100.000	10,080,000
City of Pleasant Hill Downtown Community Facilities District	100.000	11,835,000
City of Clayton Community Facilities District Nos. 1990-1 and 1990-2	100.000	3,293,000
Contra Costa County Community Facilities District No. 1998-1	94.571	925,996
1915 Act Bonds (Estimated)	Various	<u>12,221,737</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$666,914,562</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Contra Costa County General Fund Obligations	20.586%	\$ 56,472,195
Contra Costa County Pension Obligation Bonds	20.586	53,214,810
Contra Costa Community College District Certificates of Participation	20.667	144,669
City of Concord General Fund Obligations	100.000	2,810,000
City of Pittsburg Pension Obligation Bonds	17.676	6,605,708
City of Pleasant Hill General Fund Obligations	100.000	1,560,000
City of Walnut Creek General Fund Obligations	40.328	177,443
Pleasant Hill Recreation and Park District Certificates of Participation	89.063	1,799,073
Contra Costa Fire Protection District Pension Obligations	42.804	<u>39,724,252</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$162,508,150</b>
Less: Contra Costa County Obligations supported by revenue funds		22,384,398
City of Concord supported obligations		<u>810,000</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$139,313,752</b>
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		 \$167,501,520
 GROSS COMBINED TOTAL DEBT		 \$996,924,232 <sup>(3)</sup>
NET COMBINED TOTAL DEBT		\$973,729,834

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$449,020,057) (4)</b> .....	<b>1.36%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	2.02%
Gross Combined Total Debt .....	3.02%
Net Combined Total Debt .....	2.95%

Ratios to Redevelopment Incremental Valuation (\$3,967,872,342):

Total Overlapping Tax Increment Debt .....	4.22%
--	-------

(1) Excludes any bonds sold between 10/28/14 and 1/1/15.

(2) Excludes the Bonds described herein.

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

(4) Includes Community Facilities District No. 1.

Source: California Municipal Statistics, Inc.



## **DISTRICT FINANCIAL INFORMATION**

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

### **District Investments**

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

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

Any premium or accrued interest received by the County from the sale of the Bonds will be deposited in the Debt Service Fund. Earnings on the investment of moneys in the Debt Service Fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Debt Service Fund may only be applied to make payments of interest, principal and premium, if any, on bonds of the District. All funds held in the Debt Service Fund will be invested by the Treasurer at the direction of the District.

For a further discussion of the Pooled Investment Fund, see the caption "THE CONTRA COSTA COUNTY TREASURY POOL" herein.

### **Financial Statements of the District**

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District's financial statements follows. The District's audited financial statements for the 2013-14 fiscal year are attached hereto as APPENDIX C. The District has not requested, and its auditors have not provided, any review or update to such audited financial statements. The District's audited financial statements for prior and subsequent fiscal years can be obtained by contacting the District at 1936 Carlotta Drive, Concord, California 94519, telephone (925) 682-8000. The District may impose a charge for copying, mailing and handling.

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting

Standards Board. See “DISTRICT FINANCIAL INFORMATION – General Fund” for more information regarding the District’s financial statements for recent fiscal years.

Funds used by the District are categorized as follows:

<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
General Fund	Trust and Agency Funds
Special Revenue Funds	Proprietary Funds
Debt Service Funds	Internal Service Funds
Capital Project Funds	

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

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Interim Director of Budget and Fiscal Services for the District and audited by independent certified public accountants each year. The District’s audited financial statements for the year ending June 30, 2014 are attached hereto as APPENDIX C.

### **District Budgets**

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

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

California Assembly Bill 1200 (“A.B. 1200”), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents’ offices and establishing guidelines for emergency State aid apportionments. Many provisions affect District operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or 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. Each certification is based on then-current projections.

The District filed its 2010-11 First Interim Report with the Contra Costa County Office of Education (the “Office of Education”) with a qualified certification within the meaning of section 42133

of the Education Code due in large part to decreased funding from the State as a result of the State budget deficit as well as to a continuing decline in average daily attendance. The District Board has subsequently approved approximately \$10 million in budget reductions including furlough days and benefit caps for District employees. As a result of the budget reductions described above, the District filed its 2010-11 Second Interim Report with the Office of Education with a positive certification within the meaning of Section 42133 of the Education Code.

The District filed its 2011-12 First Interim Report with the Office of Education with a qualified certification within the meaning of Section 42133 of the Education Code due primarily to uncertainty relating to State funding and the precautionary set-aside of moneys in anticipation of certain trigger cuts by the State. The District also filed its 2011-12 Second Interim Report with the Office of Education with a qualified certification within the meaning of Section 42133 of the Education Code due primarily to factors relating to the State budget, similar to the factors affecting the 2011-12 First Interim Report.

The District filed its 2012-13 First Interim Report with the Office of Education with a qualified certification within the meaning of Section 42133 of the Education Code due to uncertainty at the time of the report as to whether the State would be able to fund the statutory cost of living adjustments for the 2013-14 and 2014-15 fiscal years. Subsequent to filing the 2012-13 First Interim Report, the statutory cost of living adjustments were funded and the District filed its 2012-13 Second Interim Report with a positive certification.

The District filed its 2013-14 First Interim Report with a qualified certification within the meaning of Section 42133 of the Education Code as a result of projections that the District would not be able to meet its financial obligations during the 2015-16 fiscal year. Upon approval of the State budget in 2013-14, financial projections improved such that the District was able to meet its financial obligations for the two subsequent fiscal years. The District filed its 2013-14 Second Interim Report and its 2014-15 First Interim Report and Second Interim Report with positive certifications.

## **Revenues**

As of fiscal year 2012-13, the State has changed its funding system for school districts from the former revenue limit system to the Local Control Funding Formula (the "LCFF") in an effort to provide school districts with more local control of their revenues. See "MT. DIABLO UNIFIED SCHOOL DISTRICT – State Funding of Education" herein for more information regarding the LCFF. LCFF sources provided approximately 72.2% of total revenues of the District for 2013-14 and are budgeted to provide approximately 74.9% of total revenues of the District for 2014-15. Federal revenues represented approximately 0.7% of total revenues of the District for 2013-14 and are budgeted to provide approximately 8.6% of total revenues of the District for 2014-15. State revenues represented approximately 14.3% of total revenues of the District for 2013-14 and are budgeted to provide approximately 12.2% of total revenues of the District for 2014-15. Local revenues represented approximately 5.6% of total revenues of the District for 2013-14 and are budgeted to provide approximately 4.2% of total revenues of the District for 2014-15.

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## General Fund

The following table describes the District's audited financial results for the fiscal years 2011-12 and 2012-13 and 2013-14.

**MT. DIABLO UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
Statement of Revenues, Expenditures and Change in Fund Balances  
for Fiscal Years 2011-12, 2012-13 and 2013-14**

	2011-12 Audit	2012-13 Audit	2013-14 Audit
<b>REVENUES</b>			
Revenue Limit/LCFF Sources	\$170,994,708	\$161,297,824	\$204,109,518
Federal Revenues	22,966,174	24,572,089	21,971,000
Other State Revenues	69,042,538	69,336,902	40,485,576
Other Local Revenues	<u>14,937,851</u>	<u>16,021,305</u>	<u>16,050,567</u>
<b>TOTAL REVENUES</b>	<b>\$277,941,271</b>	<b>\$271,228,120</b>	<b>\$282,616,661</b>
<b>EXPENDITURES</b>			
Certificated salaries	\$132,286,895	\$127,102,689	\$127,222,680
Classified salaries	41,090,055	39,509,304	40,036,682
Employee benefits	53,938,880	53,120,966	48,537,660
Books and supplies	11,032,808	9,156,301	11,136,431
Services and other operating expenditures	38,878,535	38,166,109	38,148,001
Capital outlay	2,067,978	522,903	2,110,565
Direct support/indirect costs	365,919	621,019	(426,306)
Other outgo	(678,957)	(408,971)	--
Intergovernmental	<u>--</u>	<u>--</u>	<u>885,981</u>
<b>TOTAL EXPENDITURES</b>	<b>\$278,982,113</b>	<b>\$267,790,320</b>	<b>\$267,651,694</b>
Excess (Deficiency) of Revenues Over Expenditures	(\$1,040,842)	\$ 3,437,800	\$ 14,964,967
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers In	\$ --	\$ --	\$ --
Operating Transfers Out	(3,999,670)	(3,637,547)	(3,789,964)
Sources	--	--	--
Proceeds from issuance of long- term liabilities	<u>--</u>	<u>--</u>	<u>996,607</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (3,999,670)</b>	<b>\$ (3,637,547)</b>	<b>\$ (2,793,357)</b>
Net Change in Fund Balances	(5,040,512)	(199,747)	12,171,610
Fund Balances at Beginning of Year	\$ 58,723,981	\$ 53,683,469	\$ 53,586,455 <sup>1</sup>
Fund Balances at End of Year	\$ 53,683,469	\$ 53,483,722	\$ 65,758,065

<sup>1</sup> Insert footnote regarding 2013-14 beginning fund balance.  
Source: The District.

The table below sets forth the budgets of the District for fiscal years 2011-12, 2012-13 and 2013-14, as well as the second interim report for fiscal year 2014-15.

**MT. DIABLO UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
Adopted Budget for Fiscal Years 2012-13, 2013-14  
and Second Interim Report for Fiscal Year 2014-15**

	<u>2011-12 Adopted Budget</u>	<u>2012-13 Adopted Budget</u>	<u>2013-14 Adopted Budget</u>	<u>2014-15 Second Interim Report</u>
<b>REVENUES</b>				
Revenue Limit/LCFF Sources	\$172,676,205	\$160,677,827	\$166,139,919	\$222,324,100
Federal Revenues	20,338,017	23,841,277	21,173,120	25,543,299
Other State Revenues	70,074,257	67,449,758	68,558,731	36,119,458
Other Local Revenues	<u>7,306,953</u>	<u>10,477,066</u>	<u>10,748,759</u>	<u>12,473,382</u>
<b>TOTAL REVENUES</b>	<b>\$270,395,432</b>	<b>\$262,445,929</b>	<b>\$266,620,529</b>	<b>\$296,460,240</b>
<b>EXPENDITURES</b>				
Certificated Salaries	\$124,363,411	\$128,358,051	\$126,524,421	\$132,175,190
Classified Salaries	37,613,887	39,511,891	38,911,248	42,676,471
Employee Benefits	55,273,901	56,711,114	53,173,216	54,346,653
Books and Supplies	12,996,275	9,416,162	11,565,989	39,160,618
Services and Other Operating Expenditures	38,159,783	36,777,306	38,261,705	38,971,299
Capital Outlay	152,817	256,117	471,600	3,253,326
Other Outgo (excluding Transfers of Indirect Costs)	1,215,293	254,993	254,994	650,653
Other Outgo – Transfers of Indirect Costs	<u>(679,198)</u>	<u>(445,013)</u>	<u>(492,218)</u>	<u>(408,605)</u>
<b>TOTAL EXPENDITURES</b>	<b>\$269,096,169</b>	<b>\$270,840,621</b>	<b>\$268,670,955</b>	<b>\$ 310,825,604</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,299,263	\$ (8,394,692)	\$ (2,050,426)	\$ (14,365,364)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	\$ --	\$ --	\$ --	\$ --
Operating Transfers Out Sources	(3,914,687)	(3,505,746)	(3,519,751)	(3,445,759)
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (3,914,687)</b>	<b>\$ (3,505,746)</b>	<b>\$ (3,519,751)</b>	<b>\$ (3,445,759)</b>
Net Change in Fund Balances	(2,605,424)	(11,900,438)	(5,570,177)	(17,811,123)
Fund Balances at Beginning of Year	\$ 34,821,216	\$53,683,470	\$ 53,483,726	\$ 70,782,540
Audit adjustments	--	--	--	(6,219,850)
Other restatements	--	--	--	102,733
Fund Balances at End of Year	<b>\$ 32,215,792</b>	<b>\$41,783,032</b>	<b>\$ 47,913,549</b>	<b>\$ 46,854,299</b>

Source: The District.

The 2014-15 Second Interim Report shows projected deficit spending of \$14,365,364, with a projected ending reserve of \$31,575,432 or 10.2% of expenditures. Under SB 858, enacted as part of the Education Omnibus Trailer Bill for 2014-15, effective upon passage of Proposition 2 at the November 2, 2014 election, limitations upon the permitted amount of school districts' reserves were created. The District cannot estimate at this time whether SB 858 will have an adverse impact on its financial operations. See "THE DISTRICT – State Budget" for more information relating to SB 858.

## Retirement System

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

**STRS.** All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 8.88% of eligible salary expenditures, while participants contribute 8 % of their respective salaries. The State also contributes to STRS, currently in an amount equal to 4.517% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implements a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate 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 over a seven year phase in period in accordance with the following schedule:

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

The District contributed \$10,688,838 to STRS for fiscal year 2011-12, \$10,277,437 to STRS for fiscal year 2012-13 and \$10,220,659 for fiscal year 2013-14. Such contributions were equal to 100% of the required contributions for the respective years. The District has budgeted a contribution to STRS of \$14,546,718 for fiscal year 2014-15. With the implementation of AB 1469, the District anticipates that its contributions to STRS 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 STRS in future fiscal years.

In fiscal year 2012-13, the District was the recipient of on-behalf of payments made by the State to STRS for K-12 education. The on-behalf of payments consisted of State general fund contributions to STRS of approximately \$7,087,940 to STRS (5.176% of 2010-11 creditable compensation subject to STRS).

**PERS.** Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.771% of eligible salary expenditures for fiscal year 2014-15, while participants contribute 7% of their respective salaries.

Effective July 1, 2014, the Board of Administration of PERS adopted new contribution rates for school districts. The new contribution rates resulted in large part from new demographic assumptions adopted by the Board of Administration in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions 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. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The District contributed \$4,529,773 to PERS for fiscal year 2011-12, \$4,598,176 for fiscal year 2012-13 and \$4,740,461 for fiscal year 2013-14, which amounts equaled 100% of required contributions to PERS. The District has budgeted a contribution to PERS of \$5,204,040 for fiscal year 2014-15.

**State Pension Trusts.** Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: [www.calstrs.com](http://www.calstrs.com); (ii) PERS: [www.calpers.ca.gov](http://www.calpers.ca.gov). However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of June 30, 2013.

**FUNDED STATUS**  
**STRS (DEFINED BENEFIT PROGRAM) and PERS**  
**Actuarial Valuation as of July 1, 2013**  
**(Dollar Amounts in Millions)<sup>(1)</sup>**

<u>Plan</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS)	\$61,487	\$49,482	\$(12,005)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	222,281	148,614	(73,667)

<sup>(1)</sup> Amounts may not add due to rounding.

Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.

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

**California Public Employees’ Pension Reform Act of 2013.** On September 12, 2012, the Governor signed into law the California Public Employee’s Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

**Post-Employment Benefits**

In June 2004, the Governmental Accounting Standards Board (“GASB”) pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide



footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 ("GASB 45") was effective for the District for the fiscal year ending June 30, 2008.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District.

The District provides Health & Welfare Benefits to qualified eligible certificated employees and their eligible dependents who retire from the District on or after attaining age 55 with at least 5 years of participation in STRS. The District provides Health & Welfare Benefits to qualified eligible classified employees who retire from the District on or after attaining age 55 with at least 5 years of participation in PERS and 5 years of service to the District. The District provides Health & Welfare Benefits to qualified eligible management and confidential employees and their eligible dependents who retire from the District on or after attaining age 55 with at least 5 years of participation in STRS or PERS. As of July 1, 2012, 1,054 retirees met these qualifications with 2,923 active plan member employees. The District pays the medical premiums incurred by qualified retirees through age 64 (or eligibility for Medical for certain classified employees) and requires retirees to contribute to the cost of coverage based on the active employee contributions.

For certificated employees who retire prior to age 64 and management and confidential employees who retire prior to age 63, Health & Welfare Benefits include medical coverage for one dependent and dental coverage for all dependents (effective in 2011, management and confidential employees who retire prior to age 63 will receive employee-only medical benefits). For certificated employees who retire at age 64, all classified employees and management and confidential employees who retire at age 64, Health & Welfare Benefits include employee only medical coverage and no dental coverage. Spouse and dependent coverage ceases upon death of the retiree.

Expenditures for post-employment healthcare benefits are recognized each pay period at a rate that approximates the amount of premiums paid. During the fiscal years ended June 30, 2011, June 30, 2012, June 30, 2013 and June 30, 2014, expenditures of \$4,086,706, \$4,578,751, \$5,536,566 and \$5,065,878 were recognized for post-employment healthcare benefits, respectively. The District has completed an actuarial study of its Health and Welfare Benefits dated July 1, 2012. Based on that study, the District's Annual Required Contribution is \$10,932,940 and its unfunded actuarial accrued liability is \$95,744,443.

## Certain Existing Obligations

A schedule of the District's changes in long-term debt for the year ended June 30, 2014 is shown below:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
General obligation bonds:					
Principal repayment	\$449,305,057	--	\$15,085,000	\$434,220,057	\$12,120,000
Accreted interest	9,168,717	\$2,096,533	--	11,265,250	--
Unamortized issuance premium	<u>34,344,208</u>	<u>--</u>	<u>3,166,812</u>	<u>31,177,396</u>	<u>1,928,492</u>
Total general obligation bonds	\$492,817,982	\$2,096,533	\$18,251,812	\$476,662,703	\$14,048,492
Construction loan	5,102,671	--	262,511	4,840,16	
Capitalized lease obligations	836,388	--	177,237	1,655,758	465,478
Net OPEB obligations	25,342,946	--	69,642	3,042,007	--
Compensated absences	<u>3,111,649</u>	<u>--</u>	<u>--</u>	<u>31,224,393</u>	<u>--</u>
Total	\$527,211,636	\$2,096,533	\$18,761,202	\$517,425,021	\$14,513,970

Source: The District.

### *General Obligation Bonds*

The District received authorization from the voters within the District to issue \$250,000,000 aggregate principal amount of general obligation bonds pursuant to an authorization on March 5, 2002 (the "2002 Authorization"). On June 20, 2002, the District issued \$69,400,000 principal amount of general obligation bonds under the 2002 Authorization; on June 10, 2004, the District issued \$121,000,000 principal amount of general obligation bonds under the 2002 Authorization; and on May 11, 2006, the District issued \$59,600,000 principal amount of general obligation bonds under the 2002 Authorization. On June 21, 2011, the District issued \$37,790,000 principal amount of general obligation refunding bonds to refund the general obligation bonds issued on June 20, 2002. On December 29, 2011, the District issued \$43,700,000 principal amount of general obligation refunding bonds to refund a portion of the general obligation bonds issued on June 10, 2004 and on April 5, 2012, the District issued \$40,540,000 principal amount of general obligation refunding bonds to refund another portion of the general obligation bonds issued on June 10, 2004. On April 10, 2013, the District issued \$54,015,000 principal amount of general obligation refunding bonds to refund a portion of the general obligation bonds issued on May 11, 2006. No further general obligation bonds remain to be issued under the 2002 Authorization, except for possible refunding bonds.

Pursuant to the 2010 Authorization, the District received authorization to issue \$348,000,000 principal amount of general obligation bonds. On September 30, 2010, the District issued its General Obligation Bonds, 2010 Election, 2010 Series A and General Obligation Bonds, 2010 Election, 2010 Series B (Federally Taxable New Clean Renewable Energy Bonds – Direct Payment) in the aggregate principal amount of \$109,996,475, on April 12, 2011, the District issued its General Obligation Bonds (Federally Taxable Qualified School Construction Bonds – Direct Payment) 2010 Election, 2011 Series C and General Obligation Bonds, 2010 Election, 2011 Series D in the aggregate principal amount of \$10,998,581.55 and on June 20, 2012, the District issued its General Obligation Bonds, 2010 Election 2012 Series E in the aggregate principal amount of \$149,995,000. Subsequent to the issuance of the Bonds, \$39,000,943.45\* aggregate principal amount of general obligation bonds will remain to be issued under the 2010 Authorization. The Bonds are issued on a parity with all general obligation bonds of the

\* Preliminary; subject to change.

District. See “DEBT SERVICE SCHEDULE” for the debt service payments to be made on all of the District’s outstanding general obligation bonds.

***Special Tax Bonds***

On June 7, 1988, the Board of Education established the Mt. Diablo Unified School District Community Facilities District No. 1 (County of Contra Costa, California) (the “CFD”). On November 7, 1989, the voters within the CFD authorized the issuance of not to exceed \$90,000,000 aggregate principal amount of special tax bonds of the CFD (the “CFD Authorization”).

On August 21, 1990, the CFD issued its Special Tax Bonds, Series 1990 in the aggregate principal amount of \$33,800,000, on September 9, 1992, the CFD issued its Special Tax Bonds, Series 1992 in the aggregate principal amount of \$28,700,000 (the “Series 1992 Bonds”), on March 28, 1995, the CFD issued its Special Tax Bonds, Series 1995 in the aggregate principal amount of \$15,000,000 (the “Series 1995 Bonds”), on October 9, 1996, the CFD issued its Series 1996 Special Tax Bonds in the aggregate principal amount of \$36,000,000 (the “1996 Bonds”) and on June 20, 2002, the CFD issued its Series 2002 Special Tax Refunding Bonds in the aggregate principal amount of \$29,000,000 to refund the Series 1992 Bonds.

On June 30, 2005, the CFD issued its Series 2005 Special Tax Revenue and Refunding Bonds in the aggregate principal amount of \$15,760,000 (the “Series 2005 Bonds”) which refunded the Series 1995 Bonds and on June 14, 2006, the CFD issued its Series 2006 Special Tax Refunding Bonds in the aggregate principal amount of \$29,995,000 (the “Series 2006 Bonds”) which refunded the Series 1996 Bonds. The Series 2005 Bonds and the Series 2006 Bonds are the only currently outstanding bonds issued under the CFD Authorization. No further bonds remain for issuance pursuant to the CFD Authorization.

***Certificates of Participation***

The District has no currently outstanding certificates of participation.

### ***Capital Leases***

The District leases school buses under certain capital lease agreements which provide for title to pass upon expiration of the lease period. Future yearly payment with respect to the capital leases are as follows:

Year ended June 30,	Lease Payment
2014-15	\$504,300
2015-16	351,731
2016-17	351,731
2017-18	252,150
2018-19	152,568
2019-20	<u>152,568</u>
Total minimum lease payments:	1,765,048
Less amount representing interest:	<u>(109,290)</u>

Present value of minimum lease payments: \$1,655,758

### ***Construction Loan***

In February 2003, the Redevelopment Agency of the City of Pittsburg made an interest free loan of \$6,178,936 to the District for the construction of an elementary school within the City of Pittsburg. The District has paid 24% of all impact fees collected by the District within the City of Pittsburg to the City of Pittsburg as repayment for the loan. The District will continue to make such payments until June 1, 2040 or the loan is paid off, whichever occurs first. The balance of the loan at June 30, 2014 was \$4,840,160.

## **MT. DIABLO UNIFIED SCHOOL DISTRICT**

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

### **District Organization**

The District was established on July 1, 1949, and is located in the northwestern portion the County. The District covers approximately 150 square miles including the cities of Concord, Pleasant Hill and Clayton, portions of the cities of Walnut Creek, Pittsburg and Martinez, and unincorporated areas of the County, including Pacheco and Bay Point, and is located approximately 30 miles northeast of San Francisco. The District provides kindergarten through twelfth grade education services in thirty-one elementary schools, nine middle schools, five high schools and seventeen alternative schools and programs, and provides adult education in two adult education centers. The District's estimated average

daily attendance for fiscal year 2014-15 is 30,572 students. The District’s audited financial statements for the fiscal year ended June 30, 2014 are attached hereto as APPENDIX C.

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

**BOARD OF EDUCATION**

Name	Office	Term Expires November
Barbara Oaks	President	2016
Brian Lawrence	Vice-President	2016
Debra Mason	Member	2018
Cheryl Hansen	Member	2018
Linda Mayo	Member	2018

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Mt. Diablo Unified School District, 1936 Carlotta Drive, Concord, California 94519, Attention: Director of Finance. The District may charge a small fee for copying, mailing and handling.

**Key Personnel**

The following is a listing of the key administrative personnel of the District.

Name	Title
Nellie Meyer, Ph.D.	Superintendent
Julie Braun-Martin	Assistant Superintendent of Elementary Schools
Rose Lock	Assistant Superintendent of Middle Schools
Donna Campbell	Assistant Superintendent of High Schools
Nance Juner	Interim Director of Budget and Fiscal Services
Lawrence M. Schoenke	Interim General Counsel

*Nellie Meyer, Ed.D.* Superintendent Meyer has served as Superintendent of the District since September 23, 2013. Prior to joining the District, Dr. Meyer worked at San Diego Unified School District where she served as the Deputy Superintendent of School Support Services from 2010 through 2013. She has a total of 34 years of education experience. Dr. Meyer earned a Bachelor’s Degree in Psychology, a Master’s Degree in Administration and a Doctorate in Education from San Diego State University.

**District Employees**

The District employs approximately 1,655.7 full-time equivalent certificated academic professionals, 947.5 full-time equivalent classified employees and 199.3 full-time management, supervisor and confidential professionals.

The certificated employees, with the exception of school psychologists, of the District have assigned the Mount Diablo Education Association (“MDEA”) as their exclusive bargaining agent. The contract between the District and MDEA expires on June 30, 2016.

The school psychologists of the District have assigned the Mount Diablo School Psychologists Association (“MDSPA”) as their exclusive bargaining agent. The contract between the District and MDSPA expires on June 30, 2016.

The classified employees in the maintenance, operations and transportation departments of the District have assigned Public Employees Union, Local #1, Maintenance & Operations Unit (“Local #1 M&O”) as their exclusive bargaining agent and the contract between the District and Local #1 M&O expired on June 30, 2013. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

The classified employees in the clerical, secretarial and technical positions have assigned Public Employees Union, Local #1, Clerical, Secretarial & Technical Unit (“Local #1 CST”) as their exclusive bargaining agent and the contract between the District and Local #1 CST expired on June 30, 2013. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

The classified employees in instructional aide and campus supervisor positions have assigned California School Employees Association (“CSEA”) as their exclusive bargaining agent and the contract between the District and CSEA expires on June 30, 2016.

## **Insurance**

The District is a member of CSAC Excess Insurance Authority (“CSAC-EIA”), Schools Excess Liability Fund (“SELF”) and the Schools’ Self Insurance of Contra Costa County (“SSICCC”), each a joint powers authority that provides various types of insurance to its members as requested. The District is self-insured for property and liability claims up to \$100,000 per property loss and \$100,000 per liability claim. Liability claims in excess of \$100,000 and up to \$900,000 are covered by a commercial insurance policy. The District’s liability claims over \$900,000 are covered by SELF. Property claims in excess of \$100,000 are covered by a commercial insurance policy up to \$149,000,000.

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

## Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620. Current developer fees are \$3.36 per square foot for residential housing and \$0.54 per square foot for commercial or industrial development.

<u>Fiscal Year</u>	<u>Developer Fees Collected</u>
2009-10	\$ 660,968.74
2010-11	564,223.78
2011-12	904,565.65
2012-13	1,254,583.93
2013-14	1,708,649.50

Source: The District.

## State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the “Local Control Funding Formula.” The Local Control Funding Formula will be implemented in stages, beginning in fiscal year 2013-14 and will be fully implemented in fiscal year 2020-21. Prior to adoption of the Local Control Funding Formula, the State used a revenue limit system described below.

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

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

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual

State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

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

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

The following table sets forth the ADA by grade span, enrollment and the percentage of EL/LI enrollment for fiscal years 2013-14 through the current year with projections for fiscal years 2015-16 and 2016-17.

**ADA, ENROLLMENT AND ENGLISH LANGUAGE/LOW INCOME ENROLLMENT**  
**Fiscal Years 2013-14 through 2016-17**  
**Mt. Diablo Unified School District**

Fiscal Year	ADA				Enrollment	
	K-3	4-6	7-8	9-12	Total Enrollment	% of EL/LI Enrollment
2013-14	10,252.56	7,371.84	4,970.43	7,934.11	31,637	49.20%
2014-15	10,228.54	7,383.04	4,971.08	7,923.71	31,696	49.24
2015-16	10,291.85	7,605.73	4,858.31	7,863.10	31,706	49.22
2016-17	10,476.83	7,550.53	4,808.08	7,948.93	31,880	49.20

Source: The District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration



of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

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

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

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

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

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

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. On or before October 1, 2015, the State Board of Education is required to develop rubrics to assess school district performance and the need for support and intervention.

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

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

The State revenue limit was calculated three times a year for each school district. The first calculation was performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations were reviewed by the County Office of Education and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of State aid owed to such school district and notify the State Controller of the amount, who then distributed the State aid.

The calculation of the amount of State aid a school district was entitled to receive each year was a five-step process. First, the prior year State revenue limit per ADA was established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year State revenue limit per ADA was inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for the school districts. Third, the current year's State revenue limit per ADA for each school district was multiplied by such school district's ADA for either the current or prior year, whichever is greater. Fourth, revenue limit add ons were calculated for each school district if such school district qualified for the add ons. Add ons included the necessary small school district adjustments, meals for needy pupils and small school district transportation, and were added to the State revenue limit for each qualifying school district. Finally, local property tax revenues were deducted from the State revenue limit to arrive at the amount of State aid based on the State revenue limit each school district was entitled to for the current year

## State Budget

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

***2014-15 State Budget.*** The Governor signed the State Budget for fiscal year 2014-15 ("the 2014-15 State Budget") into law on June 20, 2014. The 2014-15 State Budget reduced State debt by more than \$10 billion by paying down deferrals to K-12 schools by \$5 billion, paying off the Economic Recovery Bonds, repaying various special fund loans and funding \$100 million in mandate claims that had been owed to local governments. The 2014-15 State Budget also set forth a plan of shared responsibility among the State, school districts and teachers to shore up STRS, the teacher's pension system. By increasing teacher contributions over the next decades from 19.3 percent to 37.5 percent under the 2014-15 State Budget, STRS unfunded liability was projected to be eliminated by 2047. The legislature placed a Constitutional amendment (the "Rainy Day Fund") on the November ballot that required both saving for a rainy day and the pay down of liabilities. The Constitutional amendment was approved by the voters at the November 2014 election. Deposits to a rainy day fund are now required whenever capital gains revenues rise to more than eight percent of general fund tax revenues and 1.5 percent of general fund revenues will be aside annually. Deposits to the Rainy Day Fund are limited to 10 percent of general fund revenues. In addition, a Proposition 98 reserve has been created to smooth school spending and avoid future cuts. See "-Rainy Day Fund" and "SB 858" below.

The 2014-15 State Budget included total K-12 education funding of \$76.6 billion (\$45.3 general fund and \$31.3 billion other funds). The 2014-15 State Budget included Proposition 98 funding of \$60.9 billion for 2014-15, an increase of \$5.6 billion over the 2013 Budget Act level. When combined with increases of \$4.4 billion in 2012-13 and 2013-14, the 2014-15 State Budget provided a \$10 billion increased investment in K-14 education. Proposition 98 funding for K-12 education grew by more than \$12 billion from the 2011-12 fiscal year to the 2014-15 fiscal year, representing an increase of more than \$1,900 per student.

Significant features of the 2014-15 State Budget impacting K-12 education included:

- Local Control Funding Formula - An increase of \$4.75 billion Proposition 98 funding to continue the transition to LCFF closing the remaining funding implementation gap by more the 29 percent.
- K-12 Deferrals - The Budget repaid nearly \$4.7 billion Proposition 98 funding for K-12 expenses.
- Independent Study - The Budget streamlined the existing independent study program, reduced administrative burdens and freed up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- K-12 Mandates - An increase of \$400.5 million in one-time Proposition 98 funding to reimburse K-12 local educational agencies for the costs of State-mandated programs.
- K-12 High-Speed Internet Access - An increase of \$26.7 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to local educational agencies to address Common Core implementation with funds targeted to those local educational agencies most in need of help securing internet connectivity and infrastructure to implement Common Core.
- Career Technical Education Pathways Program - An increase of \$250 million in one-time Proposition 98 funding to support a second cohort of competitive grants for participating K-14 local educational agencies.
- Child Care and State Preschool Slots - \$57 million general fund and \$30 million Proposition 98 funding for 500 slots for the Alternative Payment program, 1,000 slots for General Child Care, 7,500 part-day State Preschool slots, and 7,500 part-day wrap around care slots.

*Rainy Day Fund.* The 2014-15 State Budget proposed certain constitutional amendments to the Rainy Day Fund on the November 2014 ballot, which proposition was approved by the voters. Such constitutional amendments (i) required deposits into the Rainy Day Fund whenever capital gains revenues rise to more than eight percent of general fund tax revenues (and the 2014-15 State Budget noted that capital gains revenues were expected to account for approximately 9.8% of general fund revenues in fiscal year 2014-15); (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, required 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, required at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allowed 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) required the State to provide a multiyear budget forecast; and (vi) created a Proposition 98 reserve (the Public School System Stabilization Account) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

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

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 District's second interim report for fiscal year 2014-15 projected total expenditures and other financing uses of approximately \$314,271,363 million, 3% of which is approximately \$9.4 million. The estimated maximum amount permitted under SB 858 in fiscal year 2014-15, if SB 848 were in effect for such fiscal year, would be approximately \$18.6 million. The District's second interim report for fiscal year 2014-15 projected a combined assigned and unassigned ending fund balance of approximately \$31.6 million, which is approximately \$13 million more than the maximum that would be permitted under SB 858 if SB 858 were in effect. SB 858 would not adversely affect the payment of principal of and interest on the Bonds as and when due. See "DISTRICT FINANCIAL INFORMATION- General Fund" above for information relating to the District's 2014-15 adopted budget."

***Proposed 2015-16 State Budget.*** Governor Brown announced his proposed State budget for fiscal year 2015-16 (the "Proposed 2015-16 State Budget") on January 9, 2015. Continued moderate expansion of the State economy is assumed in the Proposed 2015-16 State Budget as well as temporary above normal capital gains tax revenues. Revenues are budgeted to be \$108 billion in 2014-15 and \$113.4 billion in 2015-16 and will exceed expenditures of \$111.7 billion and \$113.3 billion in fiscal years 2014-15 and 2015-16, respectively, for balanced budgets in both fiscal years. The Proposed 2015-16 Budget focuses expenditures on existing liabilities as well as the State's Rainy Day Fund. Deposits to the Rainy Day fund of \$1.6 billion in 2014-15 and \$1.2 billion in 2015-16 will yield a Rainy Day fund balance of \$2.8 billion at the close of 2015-16. \$1 billion in deferrals of apportionments to schools and community colleges are repaid, the final \$15 billion payment on the Economic Recovery Bonds is made and local governments are paid \$533 million in mandate reimbursements. In addition, a plan to slow the growth of retiree health care benefit costs is proposed which would maintain those benefits for career State employees but share the cost of pre-funding those benefits between employees and the State.

Total K-12 total per-pupil funding is proposed to increase by \$2,600 per student over 2011-12 funding levels to reach \$13,462 in 2015-16. Proposition 98 funding is increased by \$7.8 billion over three years with K-14 spending proposed to be \$63.2 billion in 2014-15 and \$65.7 billion in 2015-16. An additional \$4 billion is committed to the LCFF to eliminate an estimated 32% of the remaining funding gap to full implementation of the LCFF. The Proposed 2015-16 State Budget also includes raising the limits on tax rates and amount of bonded indebtedness for school districts to increase school districts' ability to issue local general obligation bonds.

Significant features of the Proposed 2015-16 State Budget related to funding of K-12 education are as follows:

- Common Core— \$1.1 billion in one-time Proposition 98 funding for implementation of common core, newly introduced standards for evaluating student achievement in English language arts and mathematics, to be distributed on the basis of ADA.
- School District LCFF—\$4 billion in Proposition 98 funding for school districts and charter schools in 2015-16.
- K-12 Deferrals — \$900 million in one-time Proposition 98 funding in 2014-15 to eliminate all remaining outstanding deferral debt for K-12.
- Energy Efficiency (Proposition 39) —\$320.1 million and \$39.6 million to school districts and community college districts, respectively for energy efficiency projects, \$5.3 million to the California Conservation Corps for technical assistance to school districts and

community college districts and \$3 million to the Workforce Investment Board for implementation of the job-training program.

- Emergency Repair Program — \$273.4 million in one-time Proposition 98 funding for the Emergency Repair Program. This funding will retire the State’s facilities funding obligation under the terms of the Williams lawsuit settlement agreement.
- Technology Infrastructure — \$100 million Proposition 98 funds to support internet connectivity and infrastructure.
- Local Property Tax Adjustments—A decrease of \$11.4 million Proposition 98 funding for the school district and county office of education in 2014-15 as a result of higher offsetting property tax revenues. A decrease of \$1.7 billion in Proposition 98 General Fund for school districts and county offices of education in 2015-16 as a result of increased offsetting local property tax revenues.
- Average Daily Attendance—\$197.6 million in 2014-15 for school districts and county offices of education as a result of an increase in projected ADA from the 2014 Budget Act, and a decrease of \$6.9 million in 2015-16 for school districts and county offices of education as a result of projected decline in ADA for 2015-16.
- Career Technical Education—\$250 million Proposition 98 funding to support career technical education and a requirement that school districts and county offices of education provide a dollar per dollar match. Priority for receipt of CTE funds will go to local educational agencies that provide CTE in conjunction with other local education agencies on a regional basis.
- Charter Schools—\$59.5 million Proposition 98 General Fund to support projected charter school ADA growth.
- Special Education—\$15.3 million Proposition 98 funding to reflect a projected increase in Special Education ADA.
- COLA Increases—\$71.1 million to support a 1.58 percent cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- Full-Day State Preschool Slots—\$14.8 million Proposition 98 funds and \$18.8 million non-Proposition 98 funds to support 4,000 State Preschool slots with full-day wraparound care.

***May Revision to Proposed 2015-16 State Budget*** On May 14, 2015, Governor Brown announced his May revision to the Proposed 2015-16 State Budget (the “May Revise”). The May Revise reflects an increase of \$6.7 billion in revenues over the Proposed 2015-16 State Budget during the three year period from 2013-14 through 2015-16. Total revenues, including transfers, under the May Revise, are projected to be \$111.3 billion in 2014-15 and \$115 billion in 2015-16. The priorities in the May Revise are consistent with those in the Proposed 2015-16 State Budget, with the increased revenue directed towards education and building up the State’s Rainy Day Fund. Proposition 98 spending increases by \$3.1 billion in 2014-15 and \$2.7 billion in 2015-16 for a total Proposition 98 guarantee payment of \$68.4 billion in 2015-16 under the May Revise. An additional \$633 million would be

deposited to the Rainy Day Fund for a total contribution of \$1.9 billion. An additional \$633 million would be used to pay down loans from special funds and long-term liabilities for a total pay down of \$1.9 billion. The May Revise also establishes an Earned Income Tax Credit for households with annual incomes less than \$6,580 (\$13,870 with three or more dependants) and includes an additional \$2.2 billion in one-time resources to mitigate the effects of the State-wide drought.

The May Revise intends to cut the Proposition 98 maintenance factor, the amount owed to K-14 schools as a result of deferrals and cuts in recent years, to \$772 million in 2015-16. The May Revise proposes to close LCFF Gap funding by 53% with an additional \$2.1 billion, for total LCFF funding of \$6.1 billion. Significant features of the May Revise pertaining to K-12 education are as follows:

- CTE — additional \$150 million in 2015-16, \$50 million in 2016-17, and a reduction of \$50 million in 2017-18 to better allow schools to transition to entirely using their own discretionary funds by 2018-19. The May Revise also proposes the following changes to the Proposed 2015-16 State Budget regarding CTE, including:
  - Increases in minimum local-to-state funding match requirement to 1.5:1 in 2016-17 and 2:1 in 2017-18, to assist local educational agencies' transition in supporting CTE with their LCFF apportionments and other existing resources after this program expires.
  - Eliminates Career Pathways Trust from the list of allowable sources of local matching funds.
  - Directs CDE and the State Board of Education to give funding priority to applicants administering programs located in rural districts or regions with high student dropout rates.
- Quality Education Investment Act (“QEIA”) Transition Funding — increase of \$4.6 million one-time Proposition 98 fund to provide half of the final apportionment of QEIA funding to selected school districts in 2015-16 that do not qualify for concentration grant funding under the LCFF. QEIA funding assists districts with isolated concentrations of English learners and students who qualify for free or reduced-priced meals.
- Simon Wiesenthal Center — \$2 million Proposition 98 funding for the Los Angeles County Office of Education to contract with the Simon Wiesenthal Center to support the Museum of Tolerance’s “Tools for Tolerance” training programs. These funds allow the center to partner with schools throughout the state to advance anti-bias education, inclusion, and equity through professional development programs.
- Local Property Tax Adjustments — decrease of \$123.3 million Proposition 98 funds in 2014-15 and \$224 million in 2015-16 for school districts, special education local plan areas, and county offices of education as a result of higher offsetting property tax revenues.
- ADA — increase of \$94.4 million in 2014-15 and \$173.5 million in 2015-16 for school districts, charter schools, and county offices of education under the LCFF as a result of an increase in 2013-14 ADA.
- Proposition 39 — decrease in energy efficiency funds available to K-12 schools in 2015-16 by \$6.7 million to \$313.4 million to reflect reduced revenue estimates.
- Categorical Program Growth — decrease of \$18.4 million Proposition 98 funds for selected categorical programs, based on updated estimates of projected ADA growth.

- COLA — decrease of \$22.1 million Proposition 98 funds to selected categorical programs for 2015-16 to reflect a change in the cost-of-living factor in the May Revise.
- K-12 Mandated Programs Block Grant — increase of \$1.2 million Proposition 98 funds to reflect greater school district participation in the mandates block grant.

***Litigation Regarding State Budgetary Provisions.*** On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the “CSBA Petition”). The petitioners alleged that the fiscal year 2011-12 State budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately \$2.1 billion. The CSBA Petition sought an order from the Court compelling the State Director of Finance, State Superintendent and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution. On May 31, 2012, the court denied the CSBA Petition, finding that Proposition 98 does not prohibit the State from assigning sales tax revenues to a special fund that previously were deposited into the State general fund. The Court also found that, upon doing so, the State was not required to rebench the minimum funding guarantee. On July 27, 2012, the petitioners filed a notice of appeal of the court’s decision. On March 1, 2013, the California State Court of Appeals, First District, determined that the lawsuit was made moot by the passage of Proposition 30 (See “- Proposition 30” below); the court did not rule on the merits of the case.

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

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

### **Significant Accounting Policies and Audited Financial Statements**

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Christy White, A Professional Accountancy Corporation, San Diego, California, serve as independent auditors to the District and excerpts of their report for the fiscal year ended June 30, 2014, are attached hereto as APPENDIX C. The District’s auditors have not specifically approved the inclusion of such excerpts herewith.

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. For the District’s most recent available audited financial statements, see “APPENDIX C.”



## **Ad Valorem Property Taxes**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1, effective with the lien date of January 1, 1997. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a “floating lien date”). For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee’s fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee’s fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer’s enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

## **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable

costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

### **Proposition 98**

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

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

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

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

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita general fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is

measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

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

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

### **Supplemental Information Concerning Litigation Against the State of California**

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

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

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and

overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

### **Propositions 1A and 22**

Proposition 1A (SCA 4) provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning June 1, 2009, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

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

### **Proposition 30**

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher

incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019. Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$608,000 for joint filers).

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

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

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

Article XIII A of the California Constitution limits the amount of any *ad valorem* tax on real property, to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” The full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

## **Legislation Implementing Article XIII A**

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

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

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

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

## **Unitary Property**

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

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

## **California Lottery**

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the “State Lottery”), the net revenues (revenues less

expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2013-14, the District received \$5,850,686 in State Lottery aid and has budgeted \$5,125,652 for such aid in 2014-15. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted. See “MT. DIABLO UNIFIED SCHOOL DISTRICT - State Budget” herein.

### **Proposition 46**

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

### **Proposition 39**

On November 7, 2000, California voters approved Proposition 39, called the “Smaller Classes, Safer Schools and Financial Accountability Act” (the “Smaller Classes Act”) which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for “the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities,” (2) a list of projects to be funded and a certification that the school district board has evaluated “safety, class size reduction, and information technology needs in developing that list” and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

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

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

## **Article XIIC and XIID of the California Constitution**

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

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

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

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

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIIC, Article XIID and Propositions 26 and 98 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 the District's revenues or their ability to expend revenues.

### **THE CONTRA COSTA COUNTY TREASURY POOL**

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been prepared by the Treasurer for inclusion in this Official Statement. Neither the District nor the Underwriters make any representation as to the accuracy or completeness of such information. Further information may be obtained from the office of the Treasurer-Tax Collector of the County of Contra Costa, Finance Building, Room 100, 625 Court Street, Martinez, California 94553.

The Treasurer manages the County Pool in which certain funds of the County and certain funds of other participating entities are invested pending disbursement (including the Debt Service Fund of the District). Amounts held for the County, school districts and special districts located within the County constitute most of the County Pool. The Treasurer is the *ex officio* treasurer of each of these participating entities, which therefore are legally required to deposit their cash receipts and revenues in the County treasury. Under State law, withdrawals are allowed only to pay for expenses, which have become due. The remaining amounts in the County Pool are not legally required to be maintained in the County Pool and can be withdrawn by the depositors for whom these amounts are held, provided such withdrawals conform to legal mandates and procedures.

Each governing board of school districts and special districts within the County may allow, by appropriate board resolutions, certain withdrawals of non-operating funds for purposes of investing outside the County Pool. Some districts have from time to time authorized the Treasurer to purchase specified investments for certain district funds to mature on predetermined future dates when cash would be required for disbursements.

Funds held in the County Pool are invested by the Treasurer in accordance with State law and the County's investment policy, which is prepared by the Treasurer and approved by the Contra Costa County Board of Supervisors. The District's bond proceeds will be invested by the Treasurer at the direction of the District. The Treasurer neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District will maintain or cause to be maintained detailed records with respect to the applicable proceeds. The current investment policy was adopted by the Board of Supervisors in June 2014. The policy statement sets forth the Treasurer's investment objectives, which are, in order of importance, safety of principal, liquidity, and yield. In addition, the County's investment policy describes the instruments eligible for inclusion in the investment portfolio and the limitations applicable to each type. An Investment Oversight Committee meets quarterly to advise the County on any future changes in investment policy as well as to regularly monitor and report on the investment performance of the County Pool.

As of December 31, 2014, over 83% or over \$2.16 billion of the County Pool was invested in maturities of less than one year. As of that date, the weighted average maturity of the County Pool was approximately 196 days. A detailed description of the composition, cost, par value and market value of the County Pool is provided in the following table.

**CONTRA COSTA COUNTY TREASURY POOL  
AS OF DECEMBER 31, 2014**

Type	Par Value	Cost	Fair Value	Percent of Total Cost
A. Investments Managed by Treasurers Office				
U.S. Treasuries (STRIPS, Bills, Notes)				
U.S. Agencies				
Federal Agriculture Mortgage Corp.				
Federal Home Loan Banks				
Federal National Mortgage Assoc.				
Federal Farm Credit Banks				
Federal Home Loan Mortgage Corp.				
Municipal Bonds				
Subtotal				
Money Market Instruments				
Bankers Acceptances				
Repurchase Agreements				
Commercial Paper				
Negotiable Certificates of Deposit				
Medium Term Certificates of Deposit				
Money Market Accounts				
Time Deposit				
Subtotal				
Corporate Notes				
TOTAL				
B. Investments Managed by Outside Contractors				
Local Agency Investment Fund				
Other				
EBRCS Bond				
Miscellaneous (BNY, Mechanics)				
Wells Capital Management				
CalTRUST				
Subtotal				
TOTAL				
C. Cash				
GRAND TOTAL				

## **CONTINUING DISCLOSURE**

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than 290 days following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2014-15 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The District has entered into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the Owners of the Bonds. The Annual Report and each notice of material events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). In the past five years, the District has never failed to comply with its continuing disclosure obligations.

## **LEGAL MATTERS**

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge, a form of which is attached hereto as Exhibit A-1. A copy of the legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Tax Counsel to the District ("Special Tax Counsel") will be attached to the Bonds, a form of which is attached hereto as Exhibit A-2. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Kutak Rock LLP is acting as counsel to the Underwriters ("Underwriters' Counsel"). Bond Counsel, Disclosure Counsel, Special Tax Counsel and Underwriters' Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

## **TAX MATTERS**

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

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

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

purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

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

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

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

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

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

***Form of Special Tax Counsel Opinion.*** The form of the proposed opinion of Special Tax Counsel relating to the Bonds is attached to this Official Statement as Appendix A-2.

## **LEGALITY FOR INVESTMENT**

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

## **RATING**

Moody's Investors Service ("Moody's") has assigned its underlying municipal bond rating of "\_\_\_\_\_" to the Bonds. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained as follows: Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

Stifel, Nicolaus & Company, Incorporated, as representative of itself and George K. Baum & Company, has agreed to purchase the Bonds at the purchase price of \$\_\_\_\_\_ (reflecting the principal amount of the Bonds plus a net original issue premium in the amount of \$\_\_\_\_\_ less an Underwriters' discount of \$\_\_\_\_\_ and payment of certain costs of issuance in the amount of \$\_\_\_\_\_), at the rates and yields shown on the cover hereof.

The Underwriters may offer and sell the Bonds to certain dealers and others at yields other than the yields stated on the cover page. The offering prices may be changed from time to time by the Underwriters.

## **NO LITIGATION**

No litigation is pending concerning the validity of the Bonds, and the District's certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

**OTHER INFORMATION**

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolutions are available upon request from the Mt. Diablo Unified School District, 1936 Carlotta Drive, Concord, California 94519.

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

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

MT. DIABLO UNIFIED SCHOOL DISTRICT

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

**APPENDIX A-1**

**FORM OF BOND COUNSEL OPINION**

[Date of Delivery]

Board of Education  
Mt. Diablo Unified School District  
1936 Carlotta Drive  
Concord, California 94519

Re: \$\_\_\_\_\_ Mt. Diablo Unified School District General Obligation Bonds, 2010  
Election, 2015 Series F

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Ladies and Gentlemen:

We have acted as bond counsel for the Mt. Diablo Unified School District, County of Contra Costa, State of California (the "District"), in connection with the issuance by the District of \$\_\_\_\_\_ aggregate principal amount of the District's General Obligation Refunding Bonds, 2010 Election, 2015 Series F (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of Education of the District on May 4, 2015 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent

conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

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

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

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

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

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

Respectfully submitted,

Dannis Woliver Kelley



**APPENDIX A-2**

**FORM OF SPECIAL TAX COUNSEL OPINION**

\_\_\_\_\_, 2015

Board of Education  
Mt. Diablo Unified School District  
1936 Carlotta Drive  
Concord, California 92780

**OPINION:** \$\_\_\_\_\_ Mt. Diablo Unified School District (Contra Costa County, California) General Obligation Refunding Bonds, 2010 Election, 2015 Series F

Members of the Board of Education:

We have acted as special tax counsel to the Mt. Diablo Unified School District (the "District") in connection with the issuance by the District, of the above-captioned bonds (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we deem necessary to render this opinion.

The Bonds are issued pursuant to a resolution of the Board of Education of the District adopted on May 4, 2015. Regarding questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy of the final approving opinion relating to the Bonds (the "Bond Counsel Opinion") of Dannis Woliver Kelley, Bond Counsel, as to the matters covered in the Bond Counsel Opinion. We note that the Bond Counsel Opinion is subject to a number of qualifications and limitations. Failure of any of the matters covered in the Bond Counsel Opinion to be true may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

Based on the foregoing, we are of the opinion that, under existing law:

1. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the

District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

*Jones Hall,*  
A Professional Law Corporation

## APPENDIX B

### SELECTED INFORMATION REGARDING THE COUNTY OF CONTRA COSTA

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

#### **County of Contra Costa**

The County of Contra Costa, California (the "County") was incorporated in 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County is the ninth most populous county in California, with its population reaching approximately 1,087,008 as of January 1, 2014.

The County provides services to residents through departments and agencies including the Departments of Building Inspection, Community Development, Economic & Redevelopment, Airports, Flood Control, Parks, and Road and Transportation. Each city within the County provides for local services such as police, fire, water, and various other services normally associated with municipalities.

#### **Government**

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

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

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

#### **Population**

The population of Pleasant Hill, Concord and Walnut Creek, as well as the population in the County for calendar years 2009 through 2014 is presented in the following table.

**CITIES OF PLEASANT HILL, CONCORD AND WALNUT CREEK  
AND THE COUNTY  
Calendar Years 2009 through 2014**

Year	City of Pleasant Hill	City of Concord	City of Walnut Creek	Contra Costa County
2009	32,963	121,285	63,786	1,038,390
2010	33,139	122,009	64,140	1,047,948
2011	33,279	122,676	64,707	1,056,064
2012	33,440	123,206	65,233	1,065,117
2013	33,682	123,993	65,780	1,076,429
2014	33,872	124,656	66,183	1,087,008

Data shown as of 2000 Census benchmark for 2009 and as of 2010 Census benchmark for 2010 through 2014.  
Source: California State Department of Finance.

**Employment**

The civilian labor force in the County consists of an average of 538,900 workers as of 2013. The total employment component of the labor force is 499,100. County residents seeking employment averaged 39,800 during 2013.

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**CONTRA COSTA COUNTY, CALIFORNIA, AND UNITED STATES**  
**Labor Force, Employment, and Unemployment<sup>(1)</sup>**

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(2)</sup>
2009				
Contra Costa County	526,000	471,700	54,300	10.3%
California	18,250,200	16,169,700	2,080,500	11.4
United States	154,142,000	139,877,000	14,265,000	9.3
2010				
Contra Costa County	522,400	463,700	58,700	11.2
California	18,176,200	15,916,300	2,259,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
Contra Costa County	524,100	469,600	54,500	10.4
California	18,384,900	16,226,600	2,158,300	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
2012				
Contra Costa County	535,700	487,800	48,000	9.0
California	18,494,900	16,560,300	1,934,500	10.5
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
Contra Costa County	538,900	499,100	39,800	7.4
California	18,596,800	16,933,300	1,663,300	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
Contra Costa County	544,000	510,500	33,500	6.2
California	18,811,400	17,397,100	1,414,300	7.5
United States	155,922,000	146,305,000	9,617,000	6.2

<sup>(1)</sup> Data reflects employment status of individuals by place of residence.

<sup>(2)</sup> Unemployment rate is based on unrounded data.

Source: California State Employment Development Department and U.S. Department of Labor.

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## Major Employers Within the County

Although the County is primarily suburban, the County is host to a diverse mix of major employers representing industries ranging from government and health services to diversified manufacturing. The following table lists the County's major employers

### COUNTY OF CONTRA COSTA MAJOR EMPLOYERS as of June 30, 2014

Employer	No. of Employees
Chevron Corporation	1,500
Doctors Medical Center	1,500
John Muir Health	1,223
Texaco Inc.	1,000
CKs Employee Benefit Systems, Inc.	984
Contra Costa Newspapers, Inc.	960
DMC Foundation	930
St. Mary's College of California	917
Walmart Stores, Inc.	759

Source: County of Contra Costa, California Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

## Industry

The table on the following page shows the estimated employment by industry group for 2009 through 2013, the most recent data available.

**COUNTY OF CONTRA COSTA  
NON-AGRICULTURAL EMPLOYMENT BY INDUSTRY  
ANNUAL AVERAGES  
2009 through 2013 by Class of Work**

	2009	2010	2011	2012	2013
Goods Producing	39,900	36,600	35,200	37,100	37,400
Wholesale and Retail Trade	48,900	48,000	48,400	49,400	49,600
Transportation and Public Utilities	8,300	7,900	8,100	8,000	8,500
Professional and Business Services	45,900	43,800	45,900	48,000	51,300
Finance, Insurance, and Real Estate	25,600	25,400	24,800	25,300	25,300
Educational and Health Services	52,900	53,000	53,500	55,700	58,700
Leisure and Hospitality	31,200	31,300	32,300	33,500	35,700
Other Services	11,700	11,800	12,400	12,400	12,100
Government	51,300	49,200	47,800	47,900	48,100
Non Agriculture Total	325,900	316,500	317,300	325,800	335,100

Source: California State Employment Development Department.

**Commercial Activity**

Taxable transactions in the County occur in an extensive variety of commercial stores. Transactions from 2008 through 2012 are summarized below.

**COUNTY OF CONTRA COSTA  
Taxable Sales**

	2008	2009	2010	2011	2012
Sales Tax Permits	23,149	21,395	21,784	21,153	21,504
Taxable Sales (in thousands)	\$13,307,681	\$11,883,049	\$11,953,846	\$12,799,857	\$13,997,249

Source: California State Board of Equalization.

**Transportation**

Centrally located in the east bay region of the San Francisco bay area, the County is accessible to major transportation resources including Bay Area Rapid Transit which connects five counties including the San Francisco peninsula, Oakland, Berkeley, Fremont, Walnut Creek, Pleasant Hill, Concord Dublin/Pleasanton, and other cities within and without the County. The County is also in close proximity to Highways 5, 205, 580 and 680 as well as approximately 20 miles east of Oakland International Airport and 30 miles northeast of San Francisco International Airport providing for convenient interstate transportation. The County is also home to two non-commercial airports; Buchanan Field Airport and Byron Airport, located in Concord and Byron, respectively.

**Education**

The County is comprised of 19 school districts, 5 community colleges, and is both home to and has access to major universities, including California State University, East Bay, University of California, Berkeley, Mills College, San Francisco State University, Golden Gate University, St Mary's College of

California and John F. Kennedy University. The District serves approximately one-third of the County and is the largest school district within the County.

### **Community Facilities and Recreation**

The County is home to Mt. Diablo State Park (the “Park”), which was designated a State park in 1921. Within the Park, Mount Diablo has an elevation of 3,849 feet providing a view west across the Golden Gate Bridge to the Farallon islands, southeast to the James Lick Observatory, south to the Santa Cruz mountains, east to the San Joaquin and Sacramento Rivers and north to Mount Saint Helens and Mount Lassen in the Cascades. The Park’s 22,000 acres consist mostly of typical central California oak and grassland country with extensive areas of chaparral. Areas of riparian woodland, knobcone pine and coulter pine are also scattered throughout the park. Over 400 species of plants have been identified within the park as well as abundant wildlife including deer, raccoons, gray fox, bobcat, mountain lions and striped and spotted skunks. The Park provides guided hiking, rock climbing horseback riding, biking, camping and picnic facilities for visitors.

The County also contains numerous local parks and recreation facilities including Lefty Gomez Recreation Building and Ball Field Complex, an 11 acre park with ball fields, tennis courts, playground equipment, picnic and barbecue facilities and a community center, Montalvin Park, a seven acre community park with a basketball court, a tennis court and picnic facilities, MonTaraBay Park Community Center and Ball Field Complex, a four acre complex with a ball field and community center and Rodeo Creek Trail, a two and a half mile trail with indigenous trees, shrubs, grasses and wildflowers.



**APPENDIX C**

**MT. DIABLO UNIFIED SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Mt. Diablo Unified School District (the “District”) in connection with the execution and delivery of \$\_\_\_\_\_ aggregate principal amount of the District’s General Obligation Bonds 2010 Election, 2015 Series F (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on May 4, 2014 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

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

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Stifel, Nicolaus & Company, Incorporated and George K. Baum & Company (collectively, the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

**SECTION 2. Additional Definitions.** In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

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

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

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

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

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

**SECTION 3. CUSIP Numbers and Final Official Statement.** The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated \_\_\_\_\_, 2015 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 290 days after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2015, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

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

(c) The Dissemination Agent shall:

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

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

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

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

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

(i) General fund budget and actual results;

(ii) Assessed valuations;

(iii) Largest local secured taxpayers; and

(iv) Secured tax charges and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which

have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of or failure to perform by any credit provider.
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

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

- (i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (ii) Modifications of rights to Bondholders;
- (iii) Optional, unscheduled or contingent Bond calls;
- (iv) Release, substitution or sale of property securing repayment of the Bonds;
- (v) Non-payment related defaults;
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an

action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

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

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

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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

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

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

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

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

liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

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

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

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

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

SECTION 11. Default. The District shall give notice to each NRMSIR or to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

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

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

Dated: \_\_\_\_\_, 2015

MT. DIABLO UNIFIED SCHOOL DISTRICT

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

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Mt. Diablo Unified School District

Name of Issue: \$\_\_\_\_\_ General Obligation Bonds, 2010 Election, 2015 Series F

Date of Issuance: \_\_\_\_\_, 2015

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated \_\_\_\_\_, 2015. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

[ISSUER/DISSEMINATION AGENT]

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



## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

#### **General**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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

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

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